

2008

Moving to Work Annual Report



**King County
Housing Authority**

King County Housing Authority

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EXECUTIVE SUMMARY

A. INTRODUCTION

KCHA is now moving into its fifth full year as a participant in the Department of Housing and Urban Development's (HUD's) Moving to Work (MTW) demonstration program. Consistently recognized as a high performing agency, KCHA is one of fewer than 30 Housing Authorities across the nation selected to participate in the MTW demonstration. Participation in the program provides KCHA a unique opportunity to break away from HUD's overly prescriptive rules and rigid regulatory constraints of the past in favor of new approaches to the delivery of affordable housing resources. But, it's not just a matter of making change for change sake. Rather, MTW participation challenges us to review and analyze current programs, policies and procedures - determine what works and what doesn't - and realign resources to effectively address the critical housing needs of the local community.

With MTW flexibility we can take a hard look at current programs and make positive changes that advance the goals established by KCHA upon entry into the MTW demonstration:

- ❑ Preserve and increase affordable housing opportunities while focusing on those in greatest need;
- ❑ Increase housing choices for low-income families;
- ❑ Help KCHA clients become increasingly self-sufficient;
- ❑ Ensure the cost effectiveness of KCHA operations.

Confronted with a weakened economy and faced with ongoing reductions in federal, state and local funding, the flexibility provided under the MTW demonstration has been the key element in KCHA's ability to respond to the specific housing needs and markets in the Puget Sound region. The MTW program gives KCHA a green light to interpret and redefine guidelines and procedures to solve complex issues. We can design housing programs and provide services that meet the needs of our own region, while employing funds as efficiently and effectively as possible. Given the success of the MTW demonstration to date, we have continued to actively negotiate a new contract with HUD to extend KCHA's MTW contract through 2018. Although the current agreement does not expire until 2011, taking positive steps today to secure MTW flexibility over the long term is vital as KCHA responds to the region's growing housing needs and emerges as a leading force behind the 10-Year Plan to End Homelessness in King County.

Each year, under the terms of the demonstration, KCHA publishes and submits to HUD an Annual MTW Report. This is KCHA's fourth MTW Annual Report, representing activities, initiatives and accomplishments achieved during FY 2008. In order to simplify and streamline reporting requirements, during FY 2008, KCHA received HUD approval to shift its fiscal year from a July 1 start date to January 1. To achieve this transaction, KCHA's 2008 fiscal year was extended through calendar year 2008. As a result, this FY 2008 MTW Annual Report covers the eighteen month period beginning July 1, 2007 and ending December 31, 2008. The report documents the Authority's accomplishments during this extended fiscal year and supplies data regarding occupancy policies, client and housing stock demographics, financial management, capital planning, program management and performance.

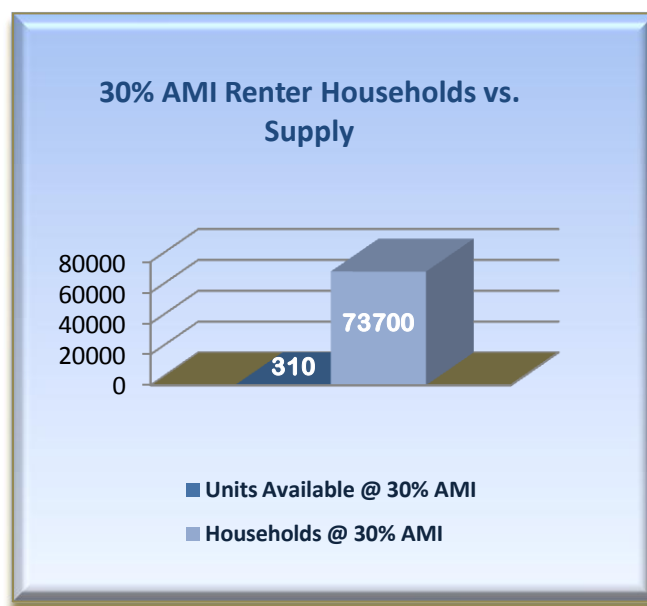
B. MTW INITIATIVES ADDRESSED IN FY 2008

During FY 2008, KCHA engaged in an array of key initiatives and priorities as outlined in the 2008 MTW Annual Plan. The following is an update on major initiatives undertaken during the fiscal year in pursuit of MTW objectives:

Objective # 1: Preserve and increase affordable housing opportunities while focusing on those in greatest need:

Access to a stable, safe and secure place to call home is the foundation that strengthens families and builds strong communities. With the demand for affordable housing in King County far outpacing supply, the importance of preserving our existing resources in tandem with measures to increase housing access for low-income households cannot be overstated. Participation in the MTW program and the financial and programming flexibility it provides has been integral to our ability to address these challenges. During FY 2008, KCHA continued its commitment to increase the number of extremely low-income households it serves and expand its role in the County's 10-Year Plan to End Homeless. Our approach has been twofold:

- ❑ Leverage outside resources to preserve and reposition our existing public housing stock and ensure its viability over the long term; and
- ❑ Utilize MTW block grant revenues to increase the number of households assisted under the Section 8 Housing Voucher program and expand our reach to new populations – such



Source: King County Housing Affordability Benchmark Study (2007): As market pressures have pushed rents skyward, the number of units affordable to extremely low income households – those with income below 30% of the Area Median income – have become virtually non-existent.

as those who are chronically homeless and mentally ill – who would not typically succeed in a conventional housing environment.

Since 2003, using innovative financing techniques, new program designs and close financial management of MTW Block Grant revenues, KCHA has increased the number of households served by 16.9% over pre-MTW participation totals.

KCHA's ability to expand its programs and address the renovation needs of its existing Public Housing inventory is especially notable in light of the steady reduction in HUD's support for the nation's subsidized housing programs. Facing a shortfall of more than \$70 million in critical repair needs, KCHA has used MTW flexibility to leverage private investment into our Public Housing portfolio and made significant strides in addressing the backlog of unmet capital needs. The

following projects, focusing on rehabilitating or replacing our oldest and most deteriorated communities and improving the fire and life safety of our mid-rise buildings serving elderly and disabled households, were underway during FY 2008:

- ❑ **Park Lake Homes I:** Once KCHA's oldest and largest development, Park Lake I is being replaced by a new mixed income community known as Greenbridge. The redeveloped site will include extensive on-site community services, including a new elementary school, early learning center, library and renovated community center. Revitalization of the community began in 2001 following award of a \$35 million HOPE VI grant from HUD. When complete the redeveloped site will contain up to 1,000 homes, including 300 units serving extremely low income households. As FY 2008 drew to a close, 197 of these subsidized units were complete, another 59 were under construction and the last 44 were scheduled to break ground the following spring. As residents have returned to the revitalized

community, KCHA has utilized MTW enhanced policies - blending LIHTC, Public Housing, Section 8 Voucher and Project-Based requirements - to ensure uniform treatment of residents throughout the development. In addition, honoring its commitment for one-for-one unit replacement, KCHA has utilized MTW authority to project-base 269 units off-site. At the end of FY 2008, a total of 220 of these units were under lease in targeted low-poverty rental markets typically out-of-reach to extremely low-income households.



- ❑ **The Egis Project:** Coupling a Capital Fund Financing Program (CFFP) loan with tax credits, KCHA raised nearly \$25 million to complete needed fire and life/safety

With the completion the Egis project, all 1,163 mid-rise apartments for senior and disabled residents in KCHA's portfolio are fully protected by new sprinklers and fire alarm systems.

upgrades and other improvements in eight high-rise buildings with 439 elderly and disabled households. While work to fully sprinkler KCHA's mid-rise communities began in 1999, decreased funding under HUD's Capital Fund program had virtually derailed its progress. In FY 2007, KCHA utilized MTW flexibility to get the initiative back on track and install fire protection in the last eight buildings. KCHA's Public Housing staff manages these units directly, layering the administration of

Low Income Housing Tax Credit (LIHTC) units with Public Housing regulations. The first four "Egis" developments were completed in 2007 and the project was fully completed by the end of FY 2008. To complement life/safety improvements, additional interior common area upgrades were completed – substantially improving tenant satisfaction with their living environment.

- ❑ **Springwood Apartments:** In FY 2008 KCHA began the substantial renovation of the Springwood Apartments in Kent, our second largest Public Housing development. By converting the housing to a Project-Based Section 8 model, KCHA was able to combine long-term bonds, tax credit investor equity and capital funds to begin \$55 million in needed improvements. Residents returning to newly renovated units will appreciate increased living space, the addition of a ½ bath and full-size washers and dryers.



- ❑ **Park Lake Homes Site II:** Master planning of the renovation of this site began during the fiscal year in advance of HUD's approval of a HOPE VI grant in late 2008. The site plan calls for replacement of the existing 165 Public Housing units with roughly 300 units of housing, neighborhood parks and on-site community facilities. KCHA has committed to one-for-one replacement of all Public Housing units on-site.

Together with efforts to preserve our existing inventory over the long-term, KCHA has increasingly used its MTW funding to provide housing subsidies to a greater number of shelter burdened households and expand its reach in increasing the region's supply of affordable housing. Accomplishments of note during FY 2008 include:

- ❑ **Increased leasing under the Section 8 Housing Choice Voucher program.** During FY 2008, KCHA committed additional MTW block grant resources in order

to increase the number of Section 8 Housing Choice Vouchers on the street. Under this initiative, KCHA's voucher utilization rate reached an average targeted rate of 103 percent for FY 2008. These vouchers were not funded through an incremental increase in Housing Assistance Payments (HAP) from HUD. Rather, they are funded directly by KCHA through the use of accumulated MTW reserves. In a tight rental market characteristic of King County these vouchers ensure a safe, secure and affordable housing environment to an additional 300 households *above* the HUD established baseline.

❑ **Expansion of the “Sponsor-Based” Permanent Supportive Housing program.**

To address the housing needs of chronically homeless individuals, KCHA has utilized its MTW block grant to design and implement a Sponsor-Based Permanent Supportive Housing Program. In partnership with United Way and the regional behavioral health care system, KCHA directly funds service agencies that, in turn,

In its first year of operation the *South County Pilot*, a “housing first” program, achieved a retention rate of 68% - far exceeding the national average of 41% for

provide services and housing subsidies on behalf of their clients. KCHA's Sponsor-Based program is among the first in the nation to use housing authority resources in this manner. The program design allows units to be master-leased from landlords and subleased to individuals ensuring “low-barrier” housing for households with multiple challenges to housing stability. The model ensures access to necessary housing services for “hard-to-house” populations who would otherwise cycle

between psychiatric hospitals, jails and the street. A detailed analysis of the program design was included in KCHA's FY 2007 Report. As a result of the program's success, in FY 2008 KCHA expanded its original commitment under the pilot to assist up to 155 individuals by the end of FY 2009.

❑ **Acquisition of existing housing at risk of loss to private development and development of new sites to increase the region's supply of affordable housing.**

During FY 2008, KCHA began pre-development work for additional housing in White Center, initiated site planning for development of new housing in South Renton and acquired the Wonderland Estates Mobile Home Park, preserving this 109-pad senior community in Maple Valley as affordable housing over the long term

and ensuring that the park's senior and disabled residents would not be displaced from their homes. KCHA will continue to expand its reach to preserve and increase the region's supply of affordable housing in FY 2009.



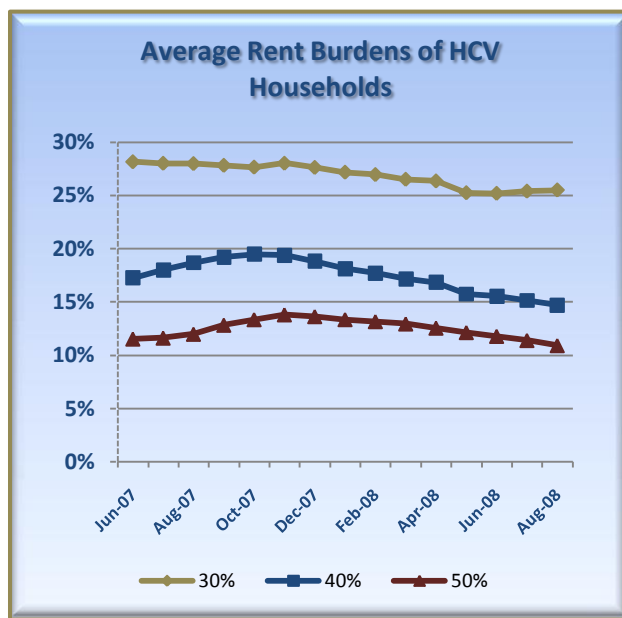
❑ **Utilization of banked Public Housing subsidy to develop “subsidy-only” Public Housing units.** As detailed in its FY 2008 MTW Annual Plan, KCHA has begun to investigate opportunities through which it could acquire existing properties adjacent

to current Public Housing sites. Assignment of banked Public Housing subsidies to the development following acquisition will allow KCHA to incrementally increase the supply of deep subsidy units (affordable to those below 30% of AMI) within its jurisdiction. The first of these sites, Pacific Court, a 32-unit complex in Tukwila, Washington is set to close in early January 2009. Using MTW authority, KCHA will partner with Sound Mental Health, a key regional provider in the King County Behavioral Health system, to operate the development under a low-barrier housing model - supporting up to 49 chronically homeless, mentally ill individuals in a permanent supportive housing setting. As FY 2008 neared its end, KCHA was actively engaged in the acquisition of an additional 30 units in Shoreline, Washington. Located adjacent to its Ballinger Homes complex, purchase of the Pepper Tree Apartments is expected to close in early 2009.

Objective # 2: Expanding housing choices available to low income families:

In addition to finding new ways to expand the supply of affordable housing in the greater Puget Sound region, KCHA has utilized its MTW authority to increase housing choices available in our local communities. KCHA's programs recognize and respond to changing markets and the unique individual characteristics, needs and desires of the households we serve. While continuing to offer applicants expanded freedom of choice through the use of site-based waiting lists, during FY 2008 KCHA turned its attention to addressing the special needs of our clients and eliminating barriers to housing access by:

- ❑ **Ensuring adequate subsidy levels for Housing Voucher participants.** During FY 2008, as exceptionally low vacancy rates pushed rents skyward, KCHA determined that prior MTW action to expand the Payment Standard basic range to between 90% and 120% of the published Fair Market Rent (FMR) was insufficient to keep up with the local rental market. Analysis revealed that FMRs consistently lagged behind actual rent levels - limiting KCHA's ability to set realistic payment standards for Section 8 rental subsidies. Unrealistically low payment standards decrease the shopping success of voucher holders, increase the concentration of voucher holders in poorly maintained buildings and less desirable neighborhoods and impose significant rent burdens on low income families. To combat this ongoing problem, KCHA decoupled the payment standard from the HUD established FMR, providing greater flexibility in setting appropriate subsidy ceilings throughout the County. The action



With a volatile rental market, KCHA closely tracks rent burdens of its HCV households to ensure subsidy levels remain reasonable.

has assisted KCHA in maintaining a shopping success rate above 85% for FY 2008 and resulted in a steady decrease in the number of Section 8 participants paying over 40% of household income for rent and utilities. In addition, KCHA's use of a two-tiered "exception-rent" system has enabled voucher holders to remain housed in rapidly gentrifying communities, such as those east of Lake Washington, where they would otherwise have been priced out of the rental market.

- ❑ **Implementing an "open-door" transfer program.** KCHA recognizes that family circumstances rarely remain stagnant. To best assist the households we serve, our programs and policies must be able to respond to evolving needs. Operating without MTW flexibility, KCHA could not easily transfer a participant between Section 8 and Public Housing subsidy – even if doing so made sense. KCHA's MTW enhanced transfer policy seeks to break down the silos that controlled tenant selection in order to streamline procedures and develop a comprehensive program that looks at all of our programs globally. A single, coordinated transfer policy provides a continuity of support across different programs – allowing families to access the program that best fits their individual circumstances. Implemented in FY 2008, the modified approach ensures a safety net to those working toward self-sufficiency and improves KCHA's ability to match disabled households with specific unit modification needs to appropriate units.

- ❑ **Developing new strategies to address the County's unmet need for Transitional and Permanent Supportive housing.** During FY 2008 KCHA continued breaking from HUD's "cookie cutter" approach in the delivery of housing services to provide access to housing outside the confines of a conventional Public Housing or Section 8 environment. Partnering with the Bill & Melinda Gates Foundation, KCHA has assisted in creating a *network of service-enriched housing for homeless families*. KCHA's project-based subsidy provides financial support to the program, ensuring families a secure environment where they can stabilize and begin to gather the tools for future success. At the same time, revised tenant selection preferences allow graduating families continued access to affordable housing – providing a safety net as they continue to build strength and work toward economic independence. In addition, KCHA's Sponsor-Based program (discussed earlier) utilizes MTW resources to link the County's most "at-risk" households to permanent supportive housing not available through conventional means.

Outcomes of KCHA's new "Open Door" Transfer Policy:

- ✓ ***Emergency Transfers completed within 19 days, well below the established 60-day target;***
- ✓ ***36 percent reduction in time needed to address Reasonable Accommodation requests;***
- ✓ ***28 percent increase in transfers completed per month;***
- ✓ ***35.5 percent increase in transfers completed over 12 months;***
- ✓ ***33 underutilized bedrooms returned to inventory.***

❑ **Increasing access for physically disabled and mobility impaired households.**

To increase housing choice for disabled households KCHA ensures that housing it develops meets universal design guidelines and is fully usable, adaptable and visitable by mobility impaired individuals. However, in today's environment, simply adapting units to meet the mobility needs of our disabled clients is no longer enough. In King County, as across the nation, there is a growing population of individuals who need access to housing in a chemically safe environment. To meet the growing demand for "chemically-free" units, KCHA has increasingly turned to the use of EnviroCare products to ensure the safety and health of our residents. In addition, in response to increased demand for smoke-free units, KCHA recently designated two existing Public Housing developments as "non-smoking" and Nia, our first entirely smoke free, "eco-friendly" senior housing development opened at Greenbridge in August 2008.



Located in the new Greenbridge community, Nia is KCHA's first entirely smoke-free development.

Objective # 3: Increasing economic self-sufficiency for program participants :

As described in its FY 2008 MTW Annual Plan, KCHA has begun to shift its resources to fund programs and services that advance families along the path to self-sufficiency. While maintaining previously adopted modifications that simplified the treatment of annual income and family assets, we have taken positive steps to assist families in acquiring the tools necessary to climb the ladder to success. During FY 2008, the following initiatives focusing on encouraging employment and economic self-sufficiency of our residents well under way:

- ❑ **Development and Implementation of a Resident Opportunity Plan.** During FY 2008, in coordination with community service providers, KCHA completed a comprehensive analysis of resident needs and existing programs. Seeking to determine how to best match resident need with available resources, the assessment is helping to shape the next phase of KCHA's Resident Opportunity Plan, an ambitious five-year economic self-sufficient strategy designed to address a myriad of resident service needs including:

- ❖ Homelessness prevention,
- ❖ Housing stability,
- ❖ Employment,
- ❖ Job retention,

- ❖ Income progression and
- ❖ Resident transition to reduced or subsidy-free living.

KCHA believes that linking households to appropriate resources and services is critical to timely and successful graduation from subsidized housing. As FY 2008 drew to an end, KCHA was finalizing design of a pilot program, involving approximately 100 households. The pilot is directed at achieving two critical objectives: improving the economic independence of Public Housing and Section 8 households and improving graduation rates from federally assisted housing. In collaboration with community colleges, community based non-profits and the workforce development system, the Eastside Pilot is intended for implementation in early 2009. Client tracking and measurements to assess the impact of different approaches to self-sufficiency on housing income, wage progression and housing graduation rates is integral to the pilot design. A report of the program's progress will be included in KCHA's FY 2009 MTW Annual Report due for submission to HUD in March 2010.

- ❑ **Implementation of Rent Policy Initiatives.** As planned, KCHA launched its Rent Reform Initiative during FY 2008 to explore policy changes relating to rent and income calculations that encourage savings and income progression. Following initial analysis, KCHA elected to approach changes in two phases. Phase I of this effort, the "Easy Rent" program, covering fixed-income elderly and disabled households, was adopted in June 2008. Implementation for current Public Housing and Section 8 program participants began the following November and is being rolled out over a 12-month period. Under MTW modified policies, qualified elderly and disabled residents now benefit from streamlined processes that require full income verification just once every 3 years. Simplified rent calculations have been established that are easier for residents to understand and staff to administer, while providing residents with an appeal process in case of hardship. Though the changes are not directly intended to move this group of residents to work, those who choose to seek employment will enjoy significant savings from less frequent income reviews. Additional information regarding program design is detailed in Section II of this Report.

Program	Low Projected Staff Hrs Saved	High Projected Staff Hrs Saved
Public Housing	1,162	2,134
Section 8 HCV	2,815	8,600
Projected Savings – Yr 1	3,977	10,734
FTE Equivalent Savings	1.5	5.2

KCHA's new Easy Rent Program went into effect in June 2008. Policy changes and streamlining measures of the policy are expected to provide significant returns in staff time.

Objective # 4: Reducing costs, achieving greater cost efficiency and improving customer service:

In light of today's difficult funding environment, streamlining and refining programs, policies, procedures and funding mechanisms helps ensure resources are available to address the critical housing needs of the region. KCHA's long tradition operational excellence and qualification as a HUD "High Performer" has been the driving force behind efforts to reduce waste and improve the quality of our service. During FY 2008, KCHA continued to reduce costs and achieve greater cost efficiencies through modifications to our business processes. At the same time, we have increased our focus on conservation of internal and external resources and measures that reduce our environmental footprint. Accomplishments of note during FY 2008 include:

❑ **Expanded use of "Lean Engineering" techniques to revamp major portions of our business processes.**

In 2007, KCHA modified HUD's standard *Section 8 Housing Quality Standard (HQS) inspection protocols* to reduce repetitive trips to the same neighborhood. We now "cluster" inspections, saving staff time and allowing inspectors to more efficiently respond to inspection requests. The revised system decouples the annual inspection from the client's contract renewal date, allowing all Section 8 units in a development to be inspected at the same time. In addition, where minor deficiencies once meant a return inspection and delay in rent payments, modified policies allow landlords to self-certify timely completion of necessary minor repairs – reducing administrative costs and accelerating access to affordable housing. Initial results are encouraging. While these improvements are relatively recent, already the streamlining of annual inspections has allowed the reduction of one HQS inspector position. Further savings is anticipated following full implementation of our new call reminder system which rolled out in late 2008.

To identify further savings, KCHA has contracted with "lean engineering" consultants to complete a review of paper flow and administrative processing at our Section 8 Office and our Central Applications Processing Center to identify non-value added activities and potential additional savings. KCHA is currently analyzing how implementation of these changes will impact future operations.

❑ **Property-Based Management:** Successful transition to the private sector's property-based management approach in advance of HUD requirements left KCHA well positioned to address the detailed programming changes required under the revised Public Housing Operating Fund Rule. As a result, KCHA's application for "Stop-Loss" funding under the final rule was approved by HUD in 2008 – limiting projected reductions in funding to their lowest level.

Performance highlights of FY 2008 include:

- ✓ *Maintained Public Housing occupancy at 98.6 percent;*
- ✓ *Sustained Section 8 lease-up above 100 percent;*
- ✓ *HUD REAC Public Housing inspections achieved average rating of 92.75 percent.*
- ✓ *Achieved "Stop-Loss" under HUD's site-based management system in the first year of eligibility.*

**KCHA Unit Upgrade Project
– FY 2008**

- ✓ 85 Units Completed
- ✓ \$ 16,500 Average
Cost Per Unit;
- ✓ \$18,000 Projected
Savings Per Unit;
- ✓ FY 2008 Projected
Savings:
\$1,530,000

Public Housing Unit Upgrade Project.

Savings resulting from KCHA's shift to project-based management at Public Housing sites has allowed the Authority to shift resources and concentrate on significantly upgrading vacant apartments on turnover. By freeing up journeyman mechanics in our Maintenance department we now have the skilled labor "in house" – to extend the useful life of unit interiors by 20 years. Utilizing MTW funding flexibility and its own Force Account crew, during FY 2008, KCHA completed upgrades on 85 units at an average cost of under \$17,000 per unit. To date, KCHA has achieved substantial savings on soft costs, general contractor overhead and profit, and tenant relocation expenses that would have been incurred under a standard Public Housing rehab model.

- ❑ **Energy Savings and EScO Operation.** MTW has enabled KCHA to establish its own Energy Services Company (ESCo) and install over \$4 million in energy conservation improvements in its Public Housing inventory. Savings were almost immediate and are expected to pay for the necessary capital investment in less than 12 years. In addition, the impact upon resident behavior has been remarkable. Individual metering for water consumptions has reduced tenant consumption by more than 30 percent and focused tenant education has significantly increased recycling, reducing the waste stream into the region's limited landfills.

Copies of Board approved Resolutions that further outline the policy and procedural changes approved by KCHA during the fiscal year are included as an attachment to this Report.

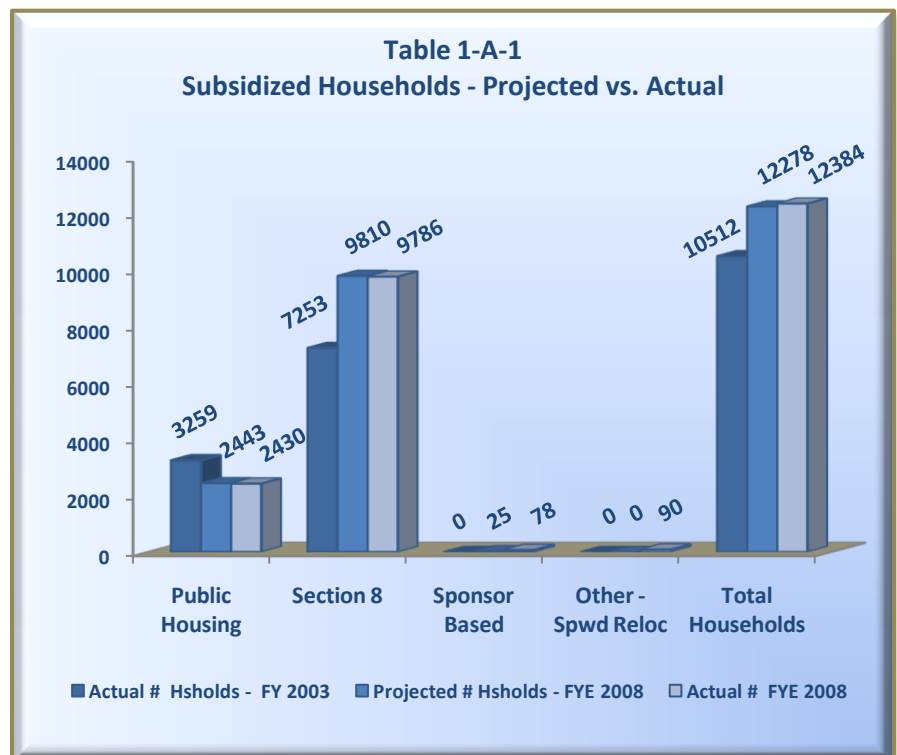
SECTION I: HOUSEHOLDS SERVED

KCHA's core mission is to serve as many of the County's extremely low income and "at risk" households as possible. Participation in the MTW demonstration has been the key to our success. Using MTW program flexibility, KCHA has extended its reach - creating policies that expand access to households and individuals with disabilities and opening doors to affordable housing for those not traditionally served through conventional housing programs. By the end of FY 2008, the number of households served through funding provided under KCHA's Public Housing and Section 8 Programs had grown to 12,384, up more than 1,850 households from those assisted in 2003. Exclusive of Section 8 households who have ported-in to our jurisdiction, this number represents an increase of more than 14% over those assisted at the start of KCHA's MTW program participation.

85 percent of households assisted through KCHA's housing programs reported income below 30 percent of the Area Median Income (AMI). 97 percent of those assisted at the end of FY 2008 had income below 50 percent of the AMI.

A. NUMBERS SERVED - PLANNED VS. ACTUAL

Little variance occurred between the overall occupancy projections in the FY 2008 MTW Annual Plan and actual results noted at the end of the fiscal year. As planned, KCHA's Public Housing inventory continued to decline as renovation of the Springwood Apartments commenced. True to projections, the loss was partially off-set as units at Seola II and the Nia Apartments – developments sited within the revitalized Greenbridge community – were added to the Public Housing inventory. As shown to the right, at the end of FY 2008, a total of 2,430 households were served through KCHA's Public Housing program, while a total of 9,786 households participated in the Section 8 program. At the same time, a total of 78 households were assisted through KCHA's "Sponsor-based" program and an additional 90 households who had been temporarily relocated from Springwood, were assisted locally by KCHA using MTW block grant funding while they await their return to the newly renovated Birch Creek community.



B. CHANGES IN TENANT AND PARTICIPANT CHARACTERISTICS

KCHA is careful to ensure that its MTW activities do not significantly alter the demographic make-up of participants who benefit from its housing programs. The following analysis of specific participant characteristics – including occupancy by unit size, family type, race and income range - is included in the MTW Annual Report in order to measure KCHA's success in ensuring this key tenet of the MTW demonstration continues to be met.

As anticipated, no significant change in tenant and participant demographics has resulted from KCHA's FY 2008 efforts to preserve and increase the supply of affordable housing and expand its role as the safety net for homeless and special needs populations in King County. The differences in the numbers and characteristics of Public Housing households served in FY 2008 compared to households served at the beginning of the fiscal year can be attributed to the relocation of residents from Birch Creek (formerly Springwood Apartments) as the site transitioned from Public Housing to Project-Based subsidy and reconstruction commenced. This slight shift in demographics between programs is expected to continue through FY 2009 as units within Birch Creek are released for re-occupancy and the Housing Authority moves forward with renovation of Park Lake Home Site II under the HOPE VI grant awarded in the fall of 2008.

Unit Sizes. Figures 1-B-1 and 1-B-2 illustrate the change in the distribution of units size for the Public Housing inventory at the end of FY 2008 compared to FY 2003, when KCHA entered into the MTW Demonstration Program. KCHA's efforts to preserve or redevelop its housing stock has resulted in a shift in the bedroom size distribution of its Public Housing inventory. The decrease in the percentage of large bedroom units – and corresponding increase in the

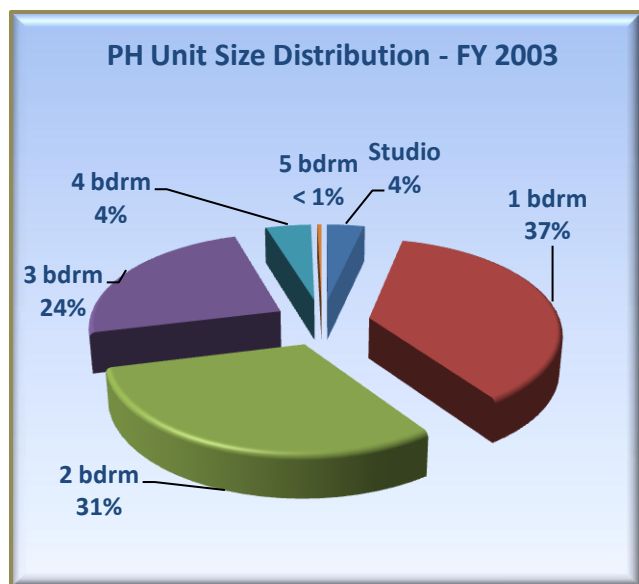


Figure 1-B-2: Public Housing Bedroom distribution – FY 2003

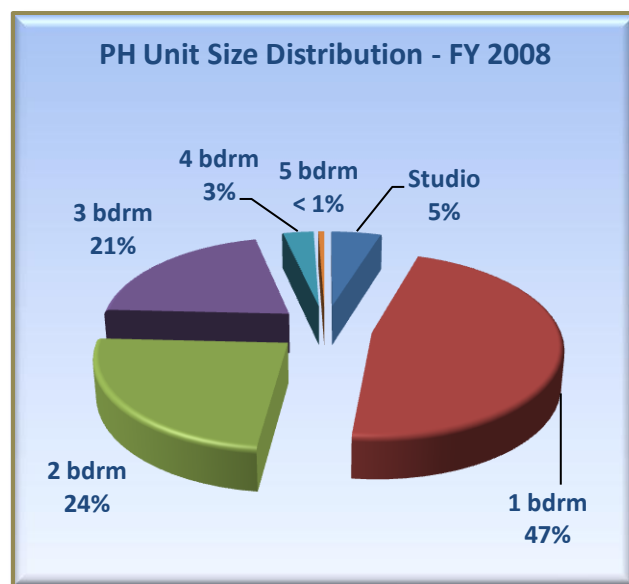


Figure 1-B-1: Public Housing Bedroom distribution – FY 2008

percentage of studio and 1-bedroom units – primarily results from the removal of Park Lake Homes (Site I) and the Springwood Apartments from the Public Housing inventory in line with scheduled renovations. Following a commitment to ensure one-for-one replacement of units removed from the inventory, reductions in KCHA's Public Housing portfolio have been off-set with

corresponding increases in the allocation of project-based Section 8 Housing Choice Vouchers in place of former public housing sites or through the provision of replacement housing at Housing Authority or non-profit owned complexes in the eastside suburbs of the county.

Figures 1-B-3 and 1-B-4 compare bedroom size distribution of KCHA's Section 8 Housing Choice Voucher Program at the end of FY 2008 and when KCHA entered the MTW demonstration in 2003. KCHA's focus on addressing the shortfall of affordable housing for at-risk priority populations through programs that link housing resources with critical support services has resulted in an increase in the number of 1-bedroom households participating in the HCV program. At the same time, the share of larger sized (3, 4, and 5 bedroom units) units leased under the Section 8 program has decreased as special needs programs have expanded the total number of units leased.

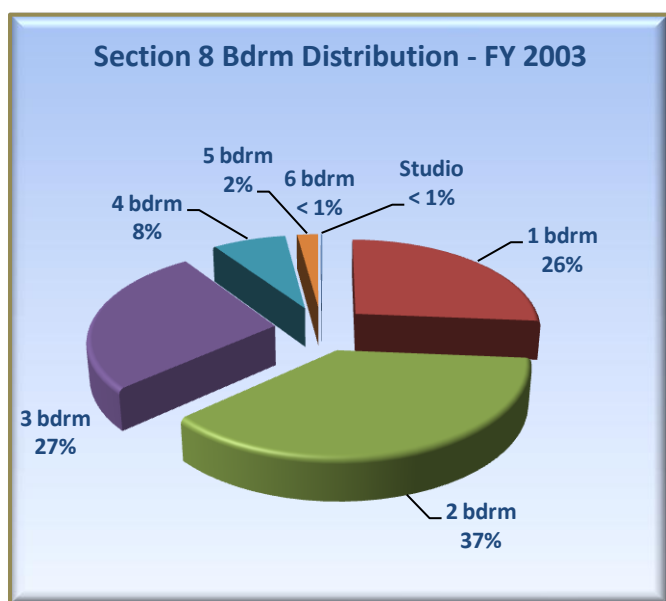


Figure 1-B-4: Bedroom Size distribution of Section 8 HCV Households – FY 2003

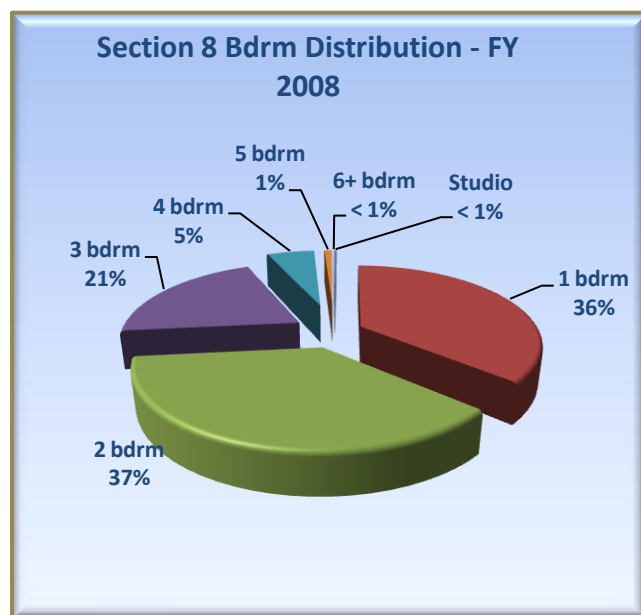


Figure 1-B-3: Bedroom Size distribution of Section 8 HCV Households - FY 2008

Household Type. KCHA's Designation Plan, which allocates up to 78% of the units within the Authority's mixed population developments to elderly and near-elderly (age 55-62) households, balances elderly and disabled household needs. At the end of FY 2008, elderly households occupied 66 percent of the units in these developments - slightly below the high of 68.5 percent recorded in FY 2007. Appendix L provides detailed information on the current status of elderly and disabled populations in each of KCHA's mixed population buildings – including information regarding buildings in which the occupancy of vacant units by non-elderly households is currently limited under KCHA's HUD approved Designation Plan.

Separate from KCHA's Designation Plan, FY 2008 data in Appendix I, summarized below, reveals a continued decrease in the number and percentage of disabled households living in KCHA's family communities. As with other changes, this is largely the result of the shift of households previously living at Park Lake Homes Site I, a community historically housing a large number of disabled residents, to Section 8 vouchers under the HOPE VI redevelopment program. Many of these households are expected to return to the HOPE VI site, using either Public Housing or Project Based Section 8 subsidy, as new units are completed. Eighty-two new units for elderly and disabled households opened at the Greenbridge on-site in FY 2008.

In addition to presenting a snapshot of KCHA's progress in meeting Designation Plan goals, the data provided in Table 1-B-5 compares family types participating in KCHA's Public Housing and Section 8 housing programs. Distribution changes for the Section 8 program are the result of KCHA's focus on increasing housing resources for disabled households and providing former Park Lake residents with Section 8 vouchers.

Table 1-B-5 - KCHA Household Types: FY 2003 Totals vs. FY 2008 Projected and Actual Results

	FY 2003			FY 2008 Projected			FY 2008 Actual		
	Disabled	Elderly	Family	Disabled	Elderly	Family	Disabled	Elderly	Family
PH Family Hshlds	392	345	1363	249	257	1062	243	241	801
PH Mixed Hshlds	360	789	10	346	793	18	379	758	10
Subtotal:	752	1134	1373	595	1050	1080	622	999	811
Section 8 Hshlds	2259	982	4012	3303	1413	4808	3447	1528	4811
Grand Total:	3,011	2,116	5,385	3,898	2,463	5,888	4,069	2,527	5,622
	28.7%	20.1%	51.2%	31.8%	20.1%	39.2%	33.3%	20.7%	46.0%

Race and Ethnicity. Table 1-B-6, illustrates the change in racial characteristics in KCHA's Public Housing and Section 8 households from baseline numbers established at the onset of MTW participation and highlights FY 2008 projections against actual results. As expected, KCHA's MTW participation has not resulted in significant changes in the overall racial/ethnic make-up of residents living in Public Housing developments or participating in the Section 8 Housing Voucher program.

While current statistics indicate a slight shift in racial demographics between programs, the change was anticipated – due mainly to the large number of households shifting from Park Lake Homes and Springwood to Section 8 Housing Voucher and Project-Based subsidy. In addition,

KCHA has seen a slight decrease in white and asian populations, offset by a slight increase in black and latino populations. This is a dual reflection of the out-migration of black households from inner-city Seattle neighborhoods and shifting immigration patterns.

Table 1-B-6: Race and Ethnicity of Households - FY 2003 vs. FY 2008 Projected and Actual Results

	FY 2003							FY 2008 Projected							FY 2008 Actual						
	White	Black	Native American	Asian	Latino	Other		White	Black	Native American	Asian	Latino	Other		White	Black	Native American	Asian	Latino	Other	
PH Family Hshlds	1026	418	19	596	41	0		822	321	17	143	53	212		644	367	13	182	67	10	
PH Mixed Hshlds	875	76	5	180	23	0		808	160	6	100	28	55		794	201	8	111	29	2	
Subtotal:	1901	494	24	776	64	0		1630	481	23	243	81	267		1630	481	23	243	81	267	
Section 8 Hshlds	4,022	2,554	93	313	152	119		4937	3430	153	625	79	0		4811	3656	44	676	499	0	
Grand Total:	5923	3048	117	1089	216	119		6567	3911	176	868	460	267		6249	4224	165	969	595	12	
	56.3%	29%	1.1%	10.4%	2.1%	1.1%		53.5%	31.9%	1.4%	7.1%	3.8%	2.3%		51.1%	34.6%	1.4%	7.9%	4.9%	0.1%	

Income Group. At the end of FY 2008, over 85 percent of KCHA's Public Housing and Section 8 program reported income falling below 30% of the Area Median Income (AMI). This high percentage of extremely low-income families reflects KCHA's continued focus on serving those most in need.

As obligated under KCHA's MTW Agreement with HUD, the Authority must ensure that a minimum of 75% of households served under the MTW demonstration program qualify as "low-income" (income falling below 50 percent of the AMI). At the end of FY 2008, combined program statistics indicate more than 97% of KCHA program participants were categorized as low-income - well within the MTW-established threshold.

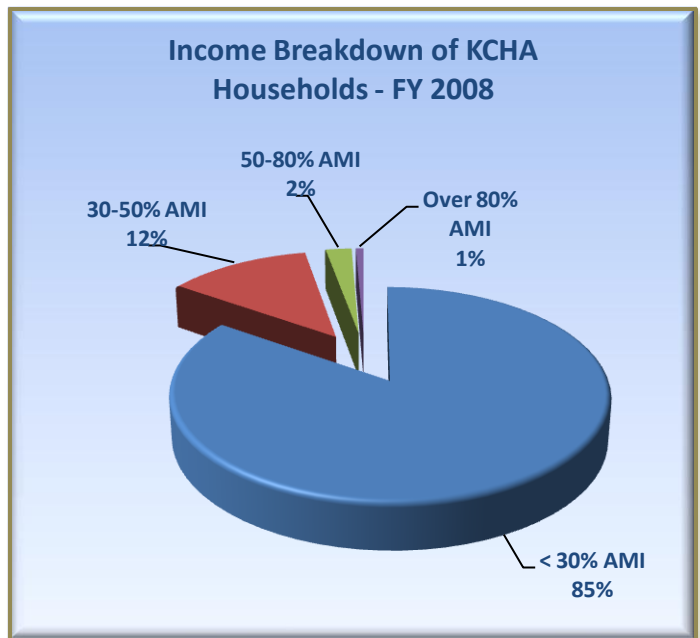


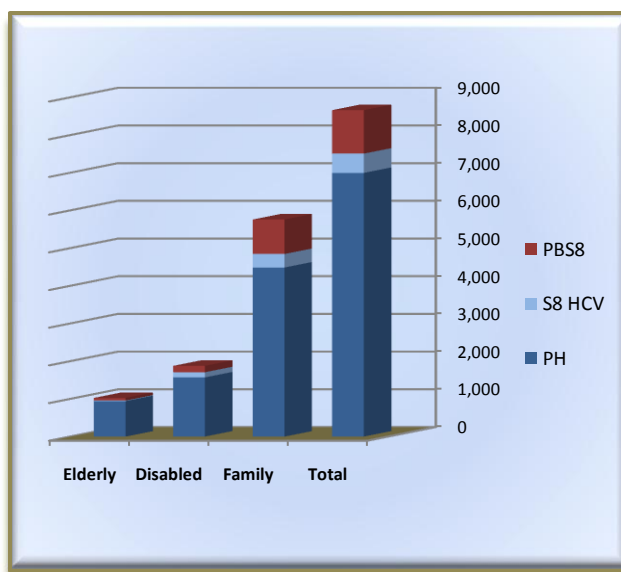
Figure 1-B-7: Income Breakdown of KCHA's combined Public Housing and Section 8 program participants.

C. APPLICANTS

Appendices D - E and J - K provide information about the Public Housing and Section 8 waiting lists. Public Housing Regional and Site-based waiting lists remain open and currently contain 6,996 households. The Section 8 waiting list, opened for two weeks in the 4th quarter of FY 2007, is currently closed.

In April 2006, KCHA re-organized its Public Housing waiting lists to allow families greater choice in residential location. Under the new policies, applicants may apply for up to two (2) site-based or regional waiting lists. At the end of FY 2006, the Public Housing waiting list was updated and purged as part of the waiting list redesign, resulting in a significant decrease in applications on hand. As shown in Appendix J, the number of households on KCHA's Public Housing waiting list had grown to 6,996 households by the end of FY 2008, a 59 percent increase since KCHA's entry into the MTW program.

Following a two-week opening in May 2007 (FY 2007) during which over 9,500 applications were received, the Section 8 waiting list remained closed for the remainder of FY 2008. As in past years, to keep applicants from having to wait an unreasonable amount of time for housing assistance, the waiting list was limited to a maximum of 2,500. Following the two-week opening, a lottery determined which households would be added to the waiting list. Waiting list data shown in Appendix E reflects demographic make-up of households at the end of FY 2008.



Currently, nearly 7,000 Public Housing applications are on hand. During the coming fiscal year, KCHA anticipates opening the Section 8 waiting list which has been closed since early 2008.

SECTION II: OCCUPANCY POLICIES

The strength of our housing programs lies in the quality of our operating principles and the protocols established to implement them. Clear, responsive, easy to understand policies and procedures are key management tools – critical resources for creating stable communities where individuals and families can reach their full potential. In a standard operating environment, Public Housing and Section 8 housing programs are managed within the constraints of 1937 Housing Act regulations and related HUD handbooks, notices and guidance. Participation in the MTW program provides KCHA with freedom to turn away from the “cookie-cutter” regulatory framework that shapes the nation’s housing programs to implement policies focused on the needs of our local communities. Under the auspices of the MTW program, KCHA has developed, adopted and implemented a number of MTW-enriched policies affecting the operation of its Public Housing and Section 8 programs. Most notably during FY 2008, KCHA completed the design phase of its new *Easy Rent* program. Discussed further below, the new policy adopted in June 2008 simplifies and streamlines the rent calculation process for KCHA’s elderly and disabled households.

A complete listing of policies and procedures established by KCHA are compiled for reference in our Public Housing ACOP (Admissions and Continued Occupancy Policy) and Section 8 Administrative Plan. MTW policy and program changes are intended to:

- ❑ Improve KCHA clients’ quality of life.
- ❑ Simplify client and staff administrative processes.
- ❑ Increase program efficiency and cost-effectiveness.
- ❑ Increase housing choice for the region’s low-income households.
- ❑ Support residents’ efforts to become self-sufficient.

KCHA ensures that policies implemented under its MTW initiative are developed through an open and inclusive process. Residents, the Resident Advisory Board, community stakeholders, legal services organizations and the general public are provided appropriate opportunity to review proposed changes and participate in focus groups and public hearings. For example, in developing our new “Easy Rent” policies, KCHA conducted over seventy meeting with residents and community stakeholders – generating valuable input that was incorporated into the final product. The process helped broaden policy acceptance and assisted in ensuring a smooth transition to the new program design. KCHA takes careful steps to update associated forms, notices and system software and disseminate information to clients and staff clearly and consistently.

A. DECONCENTRATION OF LOW-INCOME HOUSEHOLDS

KCHA employs a number of strategies to reduce poverty concentrations within our jurisdiction and ensure low-income households have broad access to affordable housing opportunities throughout King County. Key elements of KCHA's efforts to deconcentrate poverty include:

- ❑ Redevelopment of two of our largest developments - Park Lake Homes I and Park Lake Homes II – both located in one of the poorest communities in King County - with mixed income communities.
- ❑ One-for-one replacement of “hard units” lost through planned renovations. Using Project-Based subsidies, KCHA has targeted the majority of replacement units to the more affluent neighborhoods on the County's east side where voucher access to market rate housing more is extremely limited.
- ❑ Aggressive use of a two-tiered Payment Standard system to ensure adequate subsidy levels for Section 8 program participants in higher-income neighborhoods, with their promise of stronger schools and greater employment opportunities.
- ❑ Implementation of tenant selection preferences that provide low-income households in greatest need with priority access to Public Housing.
- ❑ Use of Public Housing flat rents that ensure units remain affordable for residents as they build independence and work toward economic self-sufficiency.

In the operation of our Public Housing developments, results have been promising. While KCHA has adopted a deconcentration policy consistent with HUD requirements, concentrations of extremely low-income households have not reached a level that would require KCHA to skip such households on the waiting list. Additional KCHA efforts to increase the mix of incomes in Public Housing have focused on economic self-sufficiency programs for existing

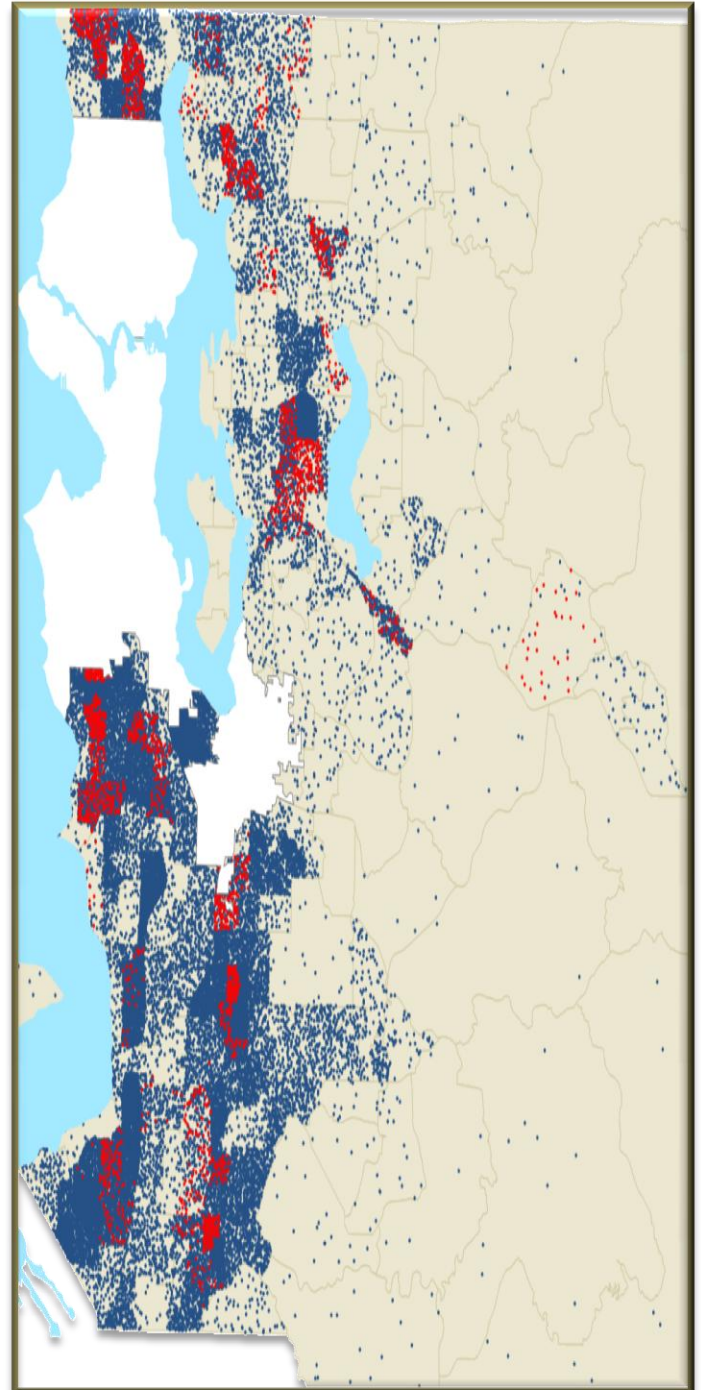


Figure 2-A-1: Distribution of KCHA Public Housing (red) and Section 8 program (blue) participants within KCHA's jurisdictions. MTW program flexibility has been essential to KCHA's ability to ensure low-income households have access to affordable housing throughout our jurisdiction.

residents. The percentage of Public Housing family households reporting Temporary Assistance for Needy Families (TANF) as their primary source of income was just 10.4 percent at the end of FY 2008 – a significant drop compared to the 16.4 percent reported in the prior year. As shown in Figure 2-A-1, KCHA’s Public Housing and Section 8 participants are well dispersed throughout the larger King County jurisdiction.

As described earlier, Section 8 HCV policies have been modified to offer higher rent subsidies in *extremely* high cost rental markets to lessen concentrations of low-income households in King County’s higher poverty areas. This action, coupled with KCHA’s initiative to increase access for low-income households in rental markets typically out-of-reach through the targeted placement of Project-Based subsidy has assisted efforts to stretch the geographical reach of the Section 8 program. As shown, KCHA’s Section 8 program participants are widely scattered throughout the region.

B. MTW RENT POLICY INITIATIVES

It is KCHA’s goal to develop rent policy changes that encourage employment and income progression among program residents.

In late 2007, KCHA began to review potential changes to existing Public Housing and Section 8 voucher program rent policies. Recognizing that different populations could benefit from different rent policies, depending on their household circumstances and ability to work, KCHA determined that the preferred approach was to tackle changes in two phases. Phase I, covering changes to income and rent calculations for qualified elderly and disabled households living on fixed incomes, was launched and began implementation in June 2008. Labeled the **KCHA’s Easy Rent** program, the initiative is centered on the following objectives:

- ❑ Streamline the existing income verification and rent calculation procedures to simplify the process for staff and residents alike;
- ❑ Minimize intrusiveness into residents’ lives;
- ❑ Maintain KCHA’s financial viability.

The Easy Rent policy covers all households residing in KCHA’s Public Housing mixed-population developments and Section 8 households in which all adult members are either elderly or disabled and at least 90 percent of total household income comes from a fixed source such as Social Security, SSI, pension, or Washington State’s GAU.

Key features of the new program include:

- ✓ Recertification reviews that are conducted just once every three years rather than annually;
- ✓ Cost of Living Adjustments (COLAs) applied automatically to Social Security income and rent recalculation in intervening years;
- ✓ Elimination of all deductions with un-reimbursed medical expenses less than \$3,000, coupled with a reduction in the percent of income paid for rent and utilities to 28.3 percent;
- ✓ Households with un-reimbursed medical expenses in excess of \$3,000 eligible for a medical deduction covering the full amount of un-reimbursed costs – coupled with rent calculated at 28.3 percent of income;
- ✓ Minimum monthly rent established at \$0;
- ✓ Elimination of utility reimbursements beyond six months – referral to Resident Services for assistance in accessing additional resources - rent set to \$0 if income is not restored at the end of established window;
- ✓ Establishing a hardship policy for those residents who experience a high shelter burden as a result of KCHA's policy changes.

Table 2-B-1: Analysis of Impact - Easy Rent Implementation

	Public Housing	Section 8 HCV
# Residents	1,372	3,089
% with Increase:	21.4%	22.3%
% with Decrease	77.0%	77.4%
% without Change:	1.6%	0.3%
Low Projected Savings (hrs)	1,162	2,815
High Projected Savings (hrs)	2,134	8,600
% Change in HAP	N/A	0.0%
% Change in Rent Roll	0.0%	N/A

Working with a financial consultant, existing annual review processes were mapped out and time estimates gathered from Section 8 and Public Housing personnel who conduct annual and interim rent reviews. The data provides KCHA with a baseline from which the effectiveness of the streamlining can be calculated. Initial conservative estimates indicated KCHA can anticipate significant administrative time savings for both its Public Housing and

Section 8 operations. After less than six months of implementation, results are encouraging - Section 8 program staff report they have already reallocated one Housing Assistant position. Resident response to the new program has also been positive. Residents are pleased with the reduced frequency of their reviews and the reduced paperwork. While the full impact of the new Easy Rent program is not yet known, data captured by the Housing Authority provides baseline

information from which the on-going impact of the changes, both on residents and program operations, can be assessed and reported in future MTW Annual Reports.

With the Easy Rent program underway, KCHA has begun the development of revised policies under Phase II of its Rent Reform initiative. At the end of FY 2008, KCHA was engaged in developing changes to rent and income policies covering families defined as either “working” or “work-able” households. In this second stage of rent reform, KCHA will expand Phase I objectives to encompass policy changes designed to encourage employment and income growth among able-bodied residents. Final design and implementation of Phase II Rent Reform policies is anticipated during FY 2009.

SECTION III: CHANGES IN HOUSING STOCK

As the economic outlook in the region weakens, unemployment increases and family resources are stretched to their limits; the need for affordable housing escalates. Since entering the MTW demonstration in 2003, KCHA has held fast to its key strategic goal of preserving and increasing the supply of housing financially accessible to low-income households in King County. The Authority particularly wants to ensure that the number of units serving extremely low-income households does not decrease as a result of the planned renovation of its oldest and most deteriorated housing developments.

Redevelopment projects like those currently underway at Greenbridge (formerly Park Lake I) and Birch Creek (the former Springwood development) are using resources leveraged through the Low-Income Housing Tax Credit (LIHTC) program to support the long-term operation of these revitalized developments. In tandem with this financing structure, KCHA's model uses MTW program flexibility to link Section 8 Project-Based subsidies to former Public Housing sites and to those developments targeted as replacement housing under KCHA's deconcentration strategy. This approach helps ensure that reductions in the Public Housing inventory are off-set with corresponding increases in "hard" units assisted under the Section 8 Housing Choice Voucher program.

The actual number of housing units assisted under KCHA's HUD funded programs reached 10,634 by the end of FY 2008 - exceeding the target established at the beginning of the year by 293 units. Housing Choice Vouchers received by KCHA in connection with the planned renovation of Park Lake Homes II and targeted vouchers awarded KCHA under HUD's VASH program were primary factors in the additional growth of KCHA programs during the fiscal year. In addition, KCHA increased its commitment of MTW resources to assist another 30 chronically homeless households under the new Sponsor-Based program.

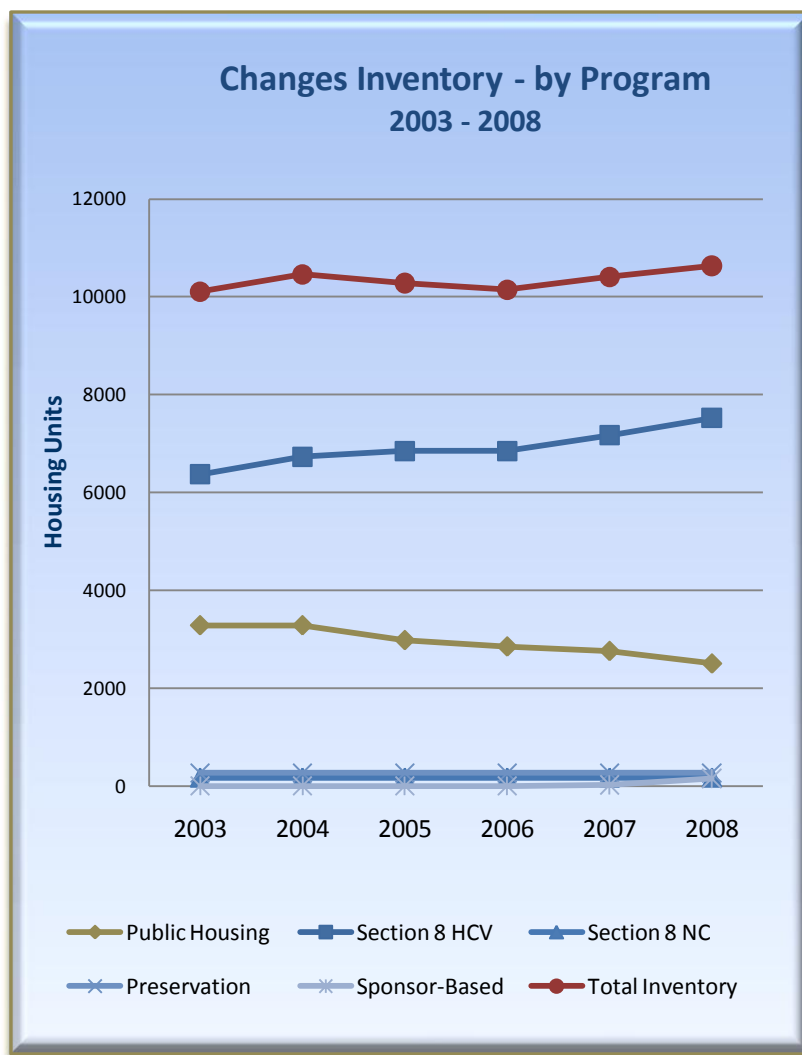


Table 3-1

Housing Program	Projected FY 2008	Actual FYE 2008
Section 8 Vouchers	7,304	7,527
Low Income Public Housing (LIPH) Units	24,67	2,507
Provider Based Program	125	155
Section 8 New Construction Buildings	174	174
Preservation Program Buildings	271	271
TOTAL KCHA UNITS	10,341	10,634

The number of Section 8 Housing Choice Vouchers reported in Table 3-1 above as of December 31, 2008 includes those issued by KCHA during the fiscal year to sustain its commitment to maintain the level of vouchers issued at 300 units above the HUD authorized baseline. Not included in the totals shown are the more than 2,100 “port-ins” under the Section 8 voucher program that KCHA administers under the MTW block grant initiatives. The ability to issue additional vouchers as the regional economic picture weakens is a critical tool in responding to pressing local needs.

Totals shown for other programs represent the gross number of units in each listed program. The Public Housing numbers include units available for resident occupancy as well as units being used to accommodate agencies serving KCHA residents. As FY 2008 neared its end, KCHA was actively pursuing the ability to utilize banked Public Housing ACC to create “subsidy only” Public Housing units through the acquisition of buildings adjacent to current Public Housing developments. Purchase of Pacific Court, KCHA’s first development under this model, closed on January 5, 2009 and the Pepper Tree Apartments is anticipated to close in early spring. Combined, these two acquisitions will add 62 units to KCHA’s Public Housing inventory.

SECTION IV: SOURCES AND AMOUNTS OF FUNDING

This section compares projected revenues included in the consolidated MTW budget statement to actual receipts for FY 2008. In addition, consistent with HUD's prescribed reporting format, an analysis of funding available for the administration of HUD programs outside the consolidated MTW budget as well as the Authority's Consolidated Financial Statement for FY 2008 are provided below. Please note that the following figures represent un-audited fiscal year-end financial data. KCHA's audited financial statement for FY 2007 – the most recent financial audit available – is included as an appendix to this report. The audited Consolidated Financial Statement for FY 2008 will be available in September 2009.

A. SOURCES AND PLANNED VS. ACTUAL FUNDING AMOUNTS IN THE CONSOLIDATED MTW BUDGET

The following table (4-A-1) compares the revenues projected in the FY 2008 MTW Plan with actual revenues received by KCHA in FY 2008 for the Section 8 Housing Choice Voucher and Public Housing Programs:

Table 4-1-A: Revenues in the Consolidated MTW Budget – FY 2008 Planned vs. Actual

PROJECTED REVENUES	FY 2008 BUDGET	FY 2008 ACTUAL	VARIANCE
Dwelling Rental Income	\$ 10,291,761	\$ 11,799,202	\$ 1,507,441
Investment Income	1,928,034	7,124,758	5,196,724
Other Income	750,303	10,265,122	9,514,819
Section 8 Block Grant	88,227,000	113,697,369	25,470,369
Section 8 Subsidy and Port/Admin Fees	3,833,832	6,634,594	2,800,762
Capital Subsidy (CFP all years)	5,405,550	6,762,390	1,356,840
Operating Subsidy (PH)	10,737,989	12,694,388	1,956,400
Bond Proceeds and Tax Credit Equity	65,177,222	63,288,032	(1,889.190)
Total Revenues	\$ 186,017,610	\$ 232,265,855	\$ 45,914,165

B. SOURCES AND AMOUNTS OF FUNDING OUTSIDE THE CONSOLIDATED MTW BUDGET

KCHA operates a number of HUD-funded programs that are not part of the MTW demonstration including units funded under the Section 8 New Construction and Preservation Programs and redevelopment activities which include a HOPE VI project. In addition, KCHA manages the Housing Authority of Sedro Woolley, which is not an MTW entity. While receiving HUD

funding, these entities are considered to be outside of the consolidated MTW budget. Their projected and actual revenues are included in Table 4-B-1 shown below.

Table 4-B-1: Revenues outside the Consolidated MTW Budget – FY 2008 Projected vs. Actual

PROJECTED REVENUES	FY 2008 BUDGET	FY 2008 ACTUAL	VARIANCE
Dwelling Rental Income	\$ 2,353,902	\$ 2,265,666	\$ (88,236)
Investment Income	564,141	560,214	(3,927)
Other Income	85,512	158,142	72,630
Section 8 Subsidy and Admin Fee	4,437,534	4,273,774	(163,760)
Capital Subsidy (CFP, all years)	123,750	274,886	151,136
Operating Subsidy	262,500	339,211	76,711
Grants (non CFP)	11,231,403	14,214,942	2,983,539
Bond Proceeds and Tax Credit Equity	56,065,909	53,645,276	(2,420,633)
Total Revenues	\$ 75,124,651	\$ 75,732,110	\$ 607,459

Table 4-B-2: Consolidated Budget Statement - FY 2008 Projected vs. Actual Revenues

PROJECTED REVENUES	FY 2008 BUDGET	FY 2008 ACTUAL	VARIANCE
Dwelling Rental Income	\$ 12,645,663	\$ 14,064,868	\$ 1,419,205
Investment Income	2,492,175	7,684,972	5,192,797
Other Income	835,815	10,423,264	9,587,449
Section 8 Block Grant	88,227,000	113,697,369	25,470,369
Section 8 Subsidy and Admin Fee	8,271,366	10,908,368	2,637,002
Capital Subsidy (CFP all years)	5,529,300	7,037,276	1,507,976
Operating Subsidy	11,000,489	13,033,599	2,033,111
Grants (non CFP)	11,231,403	14,214,942	2,983,539
Bond Proceeds and Tax Credit Equity	121,243,121	116,933,308	(4,309,823)
Total Revenues	\$ 261,476,342	\$ 307,997,966	\$ 46,521,624

C. EXPLANATION OF THE DIFFERENCES BETWEEN PROJECTED AND ACTUAL FUNDING

While a portion of the variance between projected and actual FY funding results from timing differences between submission of the MTW Annual Plan and finalization of the Budget, the majority of discrepancies in this year's funding projections result from KCHA's decision to shift reporting from a Fiscal Year to a Calendar Year basis. Following HUD's June 2008 approval, KCHA's FY 2008 budget, originally established to cover a twelve month period (July 1, 2007 through June 30, 2008) was extended to an eighteen month period ending December 31, 2008. Rather than re-write the entire FY 2008 budget, transition to a calendar year budget was completed by restating amounts previously including in the FY 2008 MTW Annual Plan using an inflation factor equal to roughly 150% of original projections. In certain cases, where line items were tied to specific events such as payments of tax credit equity by investors or the issuance of additional debt, a 150% uptick methodology was not credible. In such instances, KCHA reviewed activities and updated estimates based on known events. Fiscal year end comparisons of resulting projections versus actual funding indicate that, in general, sources were budgeted accurately. However, certain line items show significant variances, as discussed below:

- ❑ Rental Income reflects the “vouchering out” of the Birch Creek property. Housing Assistance payments are significantly higher than Public Housing rent receipts. The original budget only anticipated 3 months of such payments - through June 2008; the additional six months of receipts greatly increased rental revenue at the property.
- ❑ Interest Income is significantly higher due to the refinance structure utilized at both the Birch Creek and Egis projects, with interest earned on bond and debt service reserves as well as on the financing leases between KCHA and the limited partnerships. Approximately \$4.5 million of the variance was due to these two properties. The balance of the increase reflects higher MTW balances deposited during the fiscal period.
- ❑ The primary component of Other Income is the Developer Fees earned through the Birch Creek and Egis transactions. These sums, totaling \$9.4 million, had not been budgeted in the original MTW FY 2008 budget.
- ❑ The variance in the Section 8 block grant is the most significant among individual line items and originates from a variety of sources including:
 - ❖ KCHA received 324 additional vouchers which were added to the block grant after February 2008. This incremental increase in Voucher funding was not included in the submitted FY 2008 budget.
 - ❖ At the time the budget was calculated, HUD's CY 2007 prorated funding calculation for the Housing Choice Voucher program had not been finalized. To estimate projected income, KCHA used a very conservative (92%) estimate of the prorate for the year. Ultimately the prorated funding received

from HUD was over 105% - greatly increasing KCHA's eligibility for funding.

- ❖ Unpaid HCV funding through June 2007 was not received until July 2007 and thus is included in the FY 2008 actual results.
 - ❖ Using a conservative approach, KCHA's projected budget did not consider HUD approval for an Annual Adjustment Factor (AAF) increase in rents for 2008. Subsequent HUD approval of a 4.4 percent AAF increased KCHA receipts.
- ❑ New vouchers received over KCHA's revised 18-month fiscal year for Springwood, are included in the Block Grant subsidy calculation at year end. In addition, VASH voucher funding and vouchers received in advance of the HOPE VI renovation of Park Lake Homes II were not projected in the FY 2008 budget. As a result, KCHA's Section 8 subsidy grew well above budgeted levels. Portability fees, which were higher than expected, also influenced variance in this line item. King County continues to attract voucher holders both from Seattle, where the rents are higher, and around the United States. Portability fee increases to all PHAs in CY 2008 impacted FY 2008 projections.
 - ❑ KCHA had budgeted the Public Housing Operating Subsidy at an 83% prorate; the actual subsidy for CY 2008 was 88% resulting in higher receipts.
 - ❑ CFP funding reflects actual draws for capital projects. KCHA's Unit Turn initiative initially assumed 50 units and was expanded to accommodate work completed over an eighteen month fiscal year, requiring a greater use of existing CFP funds. The Authority also accelerated some of its capital funding in order to take advantage of existing market conditions for labor and materials.
 - ❑ Non-CFP grants are primarily HOPE VI related funds for the Greenbridge and Park Lake II sites. The eighteen month year captured two summer construction seasons, increasing the level of draws from HOPE VI funds and from HUD Indirect-CDBG sources.
 - ❑ KCHA received all anticipated Tax Credit Equity payments for FY 2008. Shortfalls in the Bond Proceeds account generally reflect a change in timing of draws on short term lines of credit, typically the result of the substitution of additional grant or other equity funding (see the increase of non-CFP grants received).

SECTION V: USES OF FUNDS

This section compares FY 2008 budgeted expenditures by line item with actual FY 2008 expenditures and identifies the level and adequacy of reserve balances at the end of FY 2008. As with Section IV, projected FY 2008 budgeted expenditures have been restated to estimate expenditures under a revised eighteen month fiscal year - either by inflating the budget by 150% or adding known transactions in the bond and tax credit category. This information is presented in the same form used in the FY 2009 Plan, which breaks out MTW initiative expenditures separately. All KCHA block grant funding is considered expended in the year received. The FY 2008 budget assumes all is expended in the Section 8 HCV program; the FY 2008 actuals more accurately reflect its utilization for MTW eligible activities.

A. PLANNED EXPENDITURES AND CHANGES IN EXPENSES FROM THE FY 2008 BUDGET

Following are the amounts budgeted in FY 2008 compared to actual expenditures in FY 2008 by line item:

Table 5-A-1: Planned vs. Actual Expenditures - FY 2008

PROJECTED EXPENDITURES	FY 2008 BUDGET	FY 2008 ACTUAL	VARIANCE
Administration and General	\$ 32,026,589	\$ 35,749,549	\$ 3,722,961
Housing Assistance Payments (non-Block Grant)	2,490,000	3,736,024	1,246,024
Section 8 Block Grant HAP	88,227,000	87,225,606	(1,001,394)
Utilities	4,078,829	4,217,876	139,048
Maintenance and Contracts	1,996,002	2,161,514	165,512
Capital Projects	59,547,799	59,601,513	53,714
MTW Initiatives	0	15,232,849	15,232,849
Total Expenses	\$ 188,366,218	\$ 207,924,933	\$ 19,558,715

B. DESCRIPTION OF THE CHANGES IN FY 2008 BUDGETED ACTIVITIES:

The Authority's actual overall expenses varied from the original budget in specific areas for the following reasons:

- ❑ Administrative and General Expense reflects the personal service, insurance and resident service costs of the Authority. It also includes the management, bookkeeping and asset management fee expenses charged by the Central Office Cost Center (COCC) to the Public Housing and Section 8 HCV programs. When the budget was initially proposed, the allowable amounts of such fees were not yet set. In its conservative approach to projected funding needs, fees established in FY 2008 MTW Annual Plan calculations were set at a much lower level than those ultimately approved by HUD. Other Administrative costs appear to be well within budgeted parameters.
- ❑ Housing Assistance Payments for vouchers not included within the block grant such as Mainstream, VASH and initial increments of relocation vouchers exceeded the budget by more than 50 percent. HAP payments for Mainstream vouchers increased approximately \$47 per unit during FY 2008, contributing to this uptick. The primary reason for the increase, however, was the receipt of incremental vouchers during the year which could not be included in the block grant. This accounted for approximately \$950 thousand of the variance.
- ❑ As discussed in Section IV, the Authority received substantially more in Section 8 HCV block grant funding in FY 2008 than initially projected due to a higher than budgeted prorated, incremental vouchers folded into the MTW block grant on their initial renewal and the CY 2008 AAF of 4.4%. This resulted in excess funding availability to support KCHA's MTW Initiatives. The Block Grant HAP budget line item for FY 2008 reflects all funds received and thus expended. In contrast, the FY 2008 Actual line item shows only the total amount spent for housing assistance payments. The amount considered expended is now a separate line item labeled "MTW Initiatives". As shown below, a portion of these reserves have been restricted for a specific purpose, either for operations of the programs or for the Authority's Sponsor-Based housing initiatives.

C. LEVEL AND ADEQUACY OF RESERVES FOR THE PUBLIC HOUSING AND SECTION 8 PROGRAMS

Shown in Table 5-B-1 are the reserve balance amounts budgeted in FY 2008, compared to actual reserve balances by program at the end of the year:

Table 5-B-1

FISCAL YEAR 2008	BUDGETED RESERVE BALANCE	RESERVE BALANCES AT END OF YEAR	VARIANCE
Public Housing: Project	\$ 3,174,000	\$ 5,724,608	\$ 2,550,608
Public Housing: Operating	3,000,000	3,082,481	82,481
Section 8: Program Reserves	4,100,000	5,300,000	1,200,000
Section 8 Admin Fee and HAP Reserves	5,143,042	560,499	(4,582,543)
MTW Designated Reserves	850,000	4,233,000	3,383,000
Unrestricted MTW Reserves	10,733,958	41,293,655	30,559,697
Total Reserves	\$ 27,001,000	\$ 60,194,243	\$ 33,193,243

Overall MTW reserves, accumulated as a result of KCHA's combined Public Housing and Section 8 HCV operations, exceeded their estimated year-end cash balances. Variances in FY 2008 program projections are attributed to the following:

- ❑ Public Housing reserves exceeded the forecast for FY 2008. KCHA received more operating subsidy than anticipated due to a higher subsidy proration than budgeted in the MTW Annual Plan. In addition, some maintenance labor costs were transferred to the Capital Fund in association with the Unit Turn project - reducing operating subsidy funded expenses. During FY 2008 KCHA also disposed of the Springwood Apartments, one of its more expensive public housing projects. The site, currently being redeveloped as Birch Creek, continued to receive Asset Repositioning Fees as part of the disposition. These funds are now available to support other Public Housing operations under the fungibility provisions of the Authority's MTW Agreement.
- ❑ The Section 8 program reserve reflects one month's HAP. The amount has grown since the forecast (\$1.2 million) due to increases in both the average per unit costs and the number of vouchers outstanding.
- ❑ Section 8 HCV Admin and HAP reserves were significantly below budget forecasts. The Admin Fee and HAP reserves included in the FY 2008 MTW Annual Plan were a preliminary estimate as of March 2007. Reconciliations conducted as FY 2007

closed reduced this reserve to approximately \$1.7 million. The further reduction to \$560 thousand was caused by recapture of unused Mainstream voucher funds.



- ❑ KCHA designated a portion of its MTW reserve to support its Sponsor-Based Homelessness Initiative; this balance is estimated to support approximately five years worth of housing costs for this population.

- ❑ The unrestricted MTW Reserve while significant is anticipated to be spent down over the next five years under a number of initiatives, including:

- ❖ Support of KCHA's commitment to maintain incremental vouchers above established baselines;
- ❖ Support of resident initiatives, including those targeted to building income progression among assisted households;
- ❖ Addressing urgent Public Housing Capital needs not funded by the CFP;
- ❖ Other acquisitions of affordable housing units;
- ❖ Equity contributions to Public Housing redevelopment projects.

Reserves remain adequate to support both programs and the purposes of the demonstration agreement.

SECTION VI CAPITAL PLANNING

Preserving the long-term viability of its Public Housing portfolio is a core component of KCHA's capital investment strategy. Historically, KCHA's Public Housing inventory has performed a critical role in the provision of affordable housing for extremely low-income households across the region. However, hindered by a steady decline in federal funding for capital needs, KCHA's ability to address unmet repair needs was nearing its breaking point. MTW flexibility has allowed KCHA to make significant strides in reversing this trend through the use of innovative financing structures that have leveraged private equity into the portfolio. This has enabled KCHA to improve fire and life safety in mid-rise buildings serving elderly and disabled households and in rehabilitating or replacing our oldest and most deteriorated family communities. KCHA has developed a three-fold focus involving major redevelopment, major fire/life safety improvements and more general capital repair needs.

As detailed in KCHA's MTW Annual Plan, the 10-year physical needs assessment and corresponding work plan identified over \$30.2 million in construction projects in FY 2008. Using a combination of HUD Capital Grant and Replacement Housing Factor (RHF) program funds, Low-Income Housing Tax Credit (LIHTC) equity, tax-exempt bonds, state and local grants, and private loans, major work items addressed during FY 2008 include:

A. REDEVELOPMENT/MAJOR RENOVATION OF PUBLIC HOUSING COMMUNITIES

- ❑ **Park Lake Homes Redevelopment.** Redevelopment of this site under the Hope VI program continued during FY 2008. Now in its sixth year of construction, the once distressed 569 unit Public Housing project is evolving into Greenbridge – a master-planned, mixed-income neighborhood of new low-income and workforce rental housing combined with affordable and market rate for-sale homes. Organized around the 8th Ave SW “main street,” the revitalized site includes new facilities for services, recreation, neighborhood retail and education, including a new elementary school and Head Start facilities. Greenbridge will be a pedestrian friendly neighborhood and incorporates an array of parks, walking trails, gardens and natural features. The original 569 Public Housing units are being replaced with 300 subsidized on-site units for very low-income households and 269 off-site units to ensure one-for-one “hard unit” replacement. The first 197 on-site units to serve extremely low-income households have been completed, an additional 59 were under construction at the end of FY 2008 and the final 44 were scheduled to break ground in early 2009. Completion of the project, which will ultimately include a total of over 900 units of housing, is scheduled for 2012.
- ❑ **Park Lake Homes II (PLII) Redevelopment.** Located just south of Greenbridge, PLII is a 165-unit public housing family development that dates back to the early 1960s and is in dire need of infrastructure and housing upgrades. Extensive reviews indicated that rehabilitation was not financially feasible and, in FY 2008, KCHA applied for and

received a HOPE VI Revitalization Program grant for the redevelopment of the entire 31-acre parcel. Utilizing the HOPE VI grant, KCHA plans to demolish all of the residential buildings, subdivide the land, construct rental housing, and sell land parcels to builders for construction of for-sale housing. When completed, there will be between 275 and 315 new rental and for-sale housing units affordable to households with a mix of incomes. Keeping with KCHA's commitment of one-for-one replacement, 165 new rental units will be affordable to Public Housing residents. An additional, 12 units of workforce rental housing are intended to be affordable to households with incomes up to 60% of the area median income. Homebuilders will construct up to 138 for-sale units. The site will continue to be home to the existing Head Start facility and will provide approximately 6,500 square feet of new community service space.

- ❑ Working in advance of the HOPE VI grant award, in FY 2008 KCHA completed the Master Plan for the site, began the environmental review process, developed schematic designs for infrastructure and buildings, and negotiated a Memorandum of Understanding with King County to streamline and expedite the review and approval of subdivision and building permits. Over the course of the year, KCHA conducted seven meetings with residents of the site and surrounding neighborhood to provide opportunities for input into redevelopment planning. In June, KCHA initiated case management services for PLH II residents and after notification of the HOPE VI grant award in September 2008, KCHA's relocation staff began working with residents to provide relocation assistance.
- ❑ **Birch Creek Apartments Redevelopment (formerly Springwood).** This aging and physically distressed 346 unit property required significant capital investment, well beyond the capacity of the capital grant program. After more than two years of planning, KCHA disposed of the Springwood Apartments to a Limited Liability Partnership and is utilizing a combination of Low Income Housing Tax Credit equity contributions, housing bonds, RHF funds and state and county grants to perform more than \$55 million in substantial renovations. On April 30, 2008, the site was officially transferred to Soosette Creek LLC with KCHA as the managing member of the LLC. To ensure the revitalized community remains affordable to extremely low-income residents, KCHA has Project-Based Section 8 rental assistance to the redeveloped site. The site will continue to be managed by KCHA's "in-house" property-based management staff - providing a seamless transition for residents during and after reconstruction. Renovation work began in May 2008 and is anticipated to cover a 24 month period. As part of the renovation the number of units will be reduced to 262. A total of 18 units will be made accessible; and 5 one-bedroom and 3 five-bedroom units will be added to the bedroom mix. Any low-income units removed will be replaced on a one-for-one basis in other areas of the County. The two main sources of private debt are \$37.5 million of tax-exempt bonds and \$30.5 million of Low Income Housing Tax Credit equity. Repayment of the bonds is supported by Replacement Housing Factor (RHF) funds and Section 8 rents. \$301,781 in RHF funds were used to repay bonds in FY 2008.
- ❑ **Improved On-Site Community Facilities.** To support KCHA's resident services, we must be able to provide residents with easy access to on-site facilities that encourage

economic development and academic achievement. MTW flexibility has allowed KCHA to expand and substantial upgrade community facilities at its major family sites to improve on-site services. To date, in collaboration with community partners, KCHA has developed:

- ❖ **Kent Family Center.** Through the Building Better Futures partnership – a collaboration between KCHA, the Puget Sound Education Service District (PSESD) and community-based non-profit providers – this two-story, 20,000 square foot facility houses Head Start early learning classrooms, a WIC health clinic and a career development center.



- ❖ **Springwood Recreation Center.** The second fund-raising project of the Building Better Futures campaign, this facility opened in August 2006 as the replacement for the former Springwood Community Center. The new youth center provides 10,800 square feet of state-of-the-art space including an indoor gymnasium, computer lab, arts center, and classrooms for area residents. A model of sustainable design – the facility highlights KCHA’s efforts to reduce its environmental footprint through integration of “green” building techniques into its capital planning process.

Home to after-school and recreational programs for the development’s 700 children, the Rec Center uses 20 percent less energy than similar sites. Exterior sun-shades and natural and energy-efficient lighting help reduce heating costs, while drought tolerant landscape, low-flow toilets, showerheads and waterless urinals reduce potable water use by 50 percent. The building earned a Leadership in Energy and Environmental Design (LEED) Silver certification from the U.S. Green Building Council.

- ❖ **Jim Wiley Community Center at Greenbridge.** Extensively rehabilitated and re-opened in March 2007, following a \$5.5 million renovation, this facility serves Greenbridge and surrounding communities. KCHA’s collaboration with the Southwest Boys and Girls Club, Neighborhood House and Highline Community Center provides youth tutoring, mentoring and recreation, family and individual case management, adult basic education, ESL and citizenship



classes, senior activities, cultural classes, energy assistance and flexible community meeting and gathering spaces. The facility was a 2008 NAHRO Award of Excellence recipient. In addition, the Wiley Center has received an Excellence in Building Green award from King County and the 2008 BIAW Excellence in Remodeling Award from the Business Industry Association of Washington.

- ❖ **YWCA Learning Center at Greenbridge.** Opened in November 2008, the Learning Center includes a new branch library and Washington State University Cooperative Extension program. Programs and services will include job search assistance, employment case management, youth leadership programs, literacy enrichment, distance learning, 4-H programming and basic computer classes.
- ❖ **The Greenbridge Early Learning Center.** Developed by the Puget Sound Educational Services District, and sponsored by the Gates and Buffet Foundations and Washington State's Thrive by Five initiative, this 32,000 square foot facility is in the early stages of construction. Once complete, the Center will serve as the hub for an early learning initiative for one of Washington's poorest communities. In addition to Head Start classrooms, the center will provide space for parenting classes, employment services, regional training programs, support and training for childcare providers and prenatal/infant/toddler services.

B. FIRE AND LIFE SAFETY UPGRADES IN MIXED POPULATION BUILDINGS THROUGH THE CAPITAL FUND FINANCING PROGRAM (CFFP)

During FY 2008 KCHA concluded its initiative to install fire and life safety improvements in all of its 21 HUD-funded mid-rise developments serving elderly and disabled residents. The initiative, which began nearly 10 years ago, had stalled – the result of multi-year reductions to HUD's capital grant program and escalating cost projections. To complete the work, KCHA leveraged \$24.9 million in Low Income Housing Tax Credits (LIHTC) through HUD's Capital Fund Financing program. KCHA's MTW designation assisted in streamlining the CFFP process and provided operational flexibility to easily blend Public Housing operational policies together with LIHTC program requirements. The mixed financing approach combined private activity bond proceeds and equity generated by 4 percent low-income housing tax credits. KCHA sold \$9.25 million in bonds to be repaid in annual installments over 20 years from the Capital Fund Program. The properties were sold to an LIHTC limited partnership, Egis Housing Limited Partnership, which is controlled by KCHA. All Egis units will continue to operate as Public Housing under HUD regulatory and operating agreements.

This innovative funding approach provided fire and life/safety improvements at eight separate public housing mixed population sites. The buildings, with a total of 439 units, include Casa Madrona (70 units), Brittany Park (43 units), Mardi Gras (61 units), Gustaves Manor (35 units), Munro Manor (60 units), Paramount House (70 units), Plaza Seventeen (70 units), and Riverton Terrace (30 units).

Scope and Costs of Renovations

A brief description of the scope of work and construction costs (including A&E) for each building follows:

Casa Madrona – Completed

\$5,884,706

Replaced fire alarm system and installed new fire sprinkler system. Upgraded emergency stairways with new railings, flooring, and lighting. New lighting and finishes for hallways, lobby, elevator, and laundry room. Replaced doors and hardware at unit entries, common areas, and main entry. Improved unit ventilation. Replaced carpet in unit entries with vinyl, and provided units with new water lines and faucets. Reconfigured lobby. Reconfigured and reconstructed entry driveway and parking lot. Repaired hot water system. Removed underground fuel storage tank and replaced damaged sidewalks. Replaced roof. Repaired and repainted building exterior and repaired decks.



Brittany Park -- Completed

\$2,572,292

Replaced fire alarm system, installed new fire sprinkler system and upgraded emergency stairways with new flooring and lighting. Installed new lighting and finishes for hallways, lobby, elevator, and laundry room. Replaced doors and hardware at unit entries, common areas, and main entry. Improved unit and common area ventilation. Replaced carpet in unit entries, and provided units with new water lines and faucets. Replaced roof, cleaned and resealed siding, and resolved site drainage issues.

Mardi Gras – Completed

\$4,149,630



Replaced fire alarm system and installed new fire sprinkler system. Upgraded emergency stairways with new flooring and lighting. Installed new lighting and finishes for hallways, lobby, elevator, and laundry room. Reconfigured lobby and offices. Replaced doors and hardware at unit entries, common areas, and main entry. Replaced carpet in unit entries with vinyl, and provided units with new water lines and faucets. Replaced domestic water supply and water heater. Removed underground storage tank. Reconstructed parking lot and installed lighting and drainage.

Gustaves Manor - Completed**\$1,418,583**

Extended fire sprinkler system from common areas into apartments and replaced fire alarm system. Replaced doors and hardware at unit entries and common areas. Repainted hallways and replaced hallway lighting. Constructed property management office. Installed roof-mounted solar electric panels.

Munro Manor - Completed**\$3,635,896**

Replaced fire alarm system and installed new fire sprinkler system. Provided new water service. Upgraded emergency stairways with new handrails, flooring and lighting. Installed new lighting and finishes for hallways, lobby, elevator, and laundry room. Reconfigured lobby and offices. Replaced doors and hardware at unit entries, common areas, and main entry. Improved common area ventilation. Replaced carpet in unit entries with vinyl and replaced faucets. Replaced decks.

**Paramount House - Completed****\$2,902,908**

Replaced fire alarm system and installed new fire sprinkler system. Upgraded emergency stairways with new railings, flooring, and lighting. Installed new lighting and finishes for hallways, lobby, elevator, and laundry room. Reconfigured lobby and offices. Replaced doors and hardware at unit entries, common areas, and main entry. Replaced carpet in unit entries with vinyl and provided units with new faucets. Replaced building entry ramp and frontage sidewalk. Modified site drainage to eliminate water intrusion and upgraded parking lot.

Plaza Seventeen -- Completed**\$4,561,361**

Replaced fire alarm system and installed new fire sprinkler system. Repaired boiler and hot water heating system. Installed new lighting and finishes for hallways, lobby, elevator, and laundry room. Reconfigured lobby and offices. Replaced doors and hardware at unit entries, common areas, and main entry. Replaced carpet in unit entries with vinyl, and provided units with new water lines and faucets. Removed underground storage tank. Replaced windows throughout building.

Riverton Terrace - Completed**\$3,142,044**

Replaced fire alarm system and installed new fire sprinkler system. Upgraded emergency stairways with new handrails and flooring. Installed new lighting and finishes for hallways, lobby, elevator, and laundry room. Improved hallway ventilation. Reconfigured lobby and offices, and upgraded community room with new ceiling, lighting, and flooring. Replaced doors and hardware at unit entries, common areas, and main entry. Replaced carpet in unit entries with vinyl, and provided units with new water lines and faucets. Replaced siding, windows, roof, and roof drainage system. Replaced damaged sidewalks and community room patio.

C. CAPITAL PLAN EXPENDITURES

Although KCHA has effectively leveraged a variety of financial resources under the mixed-finance model, the approach does not readily lend itself to addressing smaller, less expansive repair needs that arise from daily operations. Preventative work – such as paving, deck repair and replacements, building envelope upgrades, roofing and general site improvements are left to the scope of HUD’s Capital Fund (CFP) program. KCHA attempts to target the most critical and urgent repairs at our Public Housing developments before the problem escalates. However, our ability to adequately address even general site improvements has been challenged by reductions in HUD funding. With a declining pool of CFP resources, effective measures to control costs and prioritize work carefully have become imperative.

KCHA’s innovative **Unit Upgrade Demonstration** program is a prime example of how out-of-the-box thinking can help ensure that available funds are spent wisely. When the shift to project-based management freed up journeyman mechanics, KCHA staff saw an opportunity to use this skilled workforce to focus on completing significant unit upgrades to vacant apartments on turn. Where in the past major unit upgrades were undertaken on a building by building basis, requiring KCHA to employ architects, vacate entire buildings, and relocate residents for up to six months so general contractors could complete the work, MTW program flexibility allows major unit interior renovations – such as new flooring, cabinets and fixtures – to be completed unit by unit using KCHA’s own staff. Under the program, KCHA is reaping substantial savings on soft costs, general contractor’s overhead and profit, and relocation. Funded to upgrade 50 units in FY 2008, expansion of KCHA’s fiscal year through December 31, 2008 allowed KCHA expand the program to complete 85 units by the end of 2008. While extending the life of unit interiors by upwards of 20 years, per unit costs are averaging less than \$17,000 – a savings of more than \$18,000 per unit over estimated costs if outside contractors were used.

KCHA is expanding the Unit Upgrade program to 150 units in FY 2009. At current program costs, it’s anticipated the model could net KCHA savings of \$2.5 million in FY 2009.

Construction Expenditures by KCHA Fiscal Year: 2008

July 1, 2007 through December 31, 2008

Property	Scope of Work	FY 2008 Projected	FY 2008 Actual
Pickering Court	Infrastructure –continuation of FY07 project	\$350,000	Completed \$532,719
Northridge II	Roofing –continuation of FY07 project	\$350,000	Completed \$391,000
Riverton Terrace (family)	Site Drainage	\$50,000	Completed \$73,148
Casa Juanita	Fire Sprinkler Supply valve/Roofing	\$50,000	Completed \$47,770
Boulevard Manor	Fire Sprinkler Supply Valve	\$50,000	Did not need replacement \$0.00
Various	Unit Turn Remodels	\$1,000,000	\$1,441,352
Total Construction Expenditures		\$1,800,000	\$2,485,989
A & E Expenditures		\$200,000	\$42,959
Total Expenditures		\$2,000,000	\$2,528,948

Expenditures from Bond Proceeds & Tax Credit Equity-FY 2008

Period July 1, 2007 through December 31, 2008

(Capital Fund Financing Program and Replacement Housing Factor Funds)

EXPENDITURES*		FY 2008 Budgeted	FY 2008 Actual
Source	Use		
CFFP Bonds & Tax Credit Equity	Fire/Life Safety Improvements in 8 Buildings	\$18,227,920	Completed \$29,028,099
Capital Fund Allocation	Debt Service CFFP Bonds	\$1,000,000	\$1,790,605
RHF Funds	Debt Service on RHF Bonds	\$287,000	\$301,781
Total (Bond & Tax Credit Equity)		\$28,227,920	\$29,329,880
Total (Debt Service)		\$1,287,000	\$1,790,605
Total Expenditures		\$29,514,920	\$31,120,485

*Includes A & E.

Note: With the completion of renovation of the Egis properties in 2008, KCHA has fully obligated and expended the proceeds of the Capital Fund bonds prior to the “Obligation End

Date” (24 months after the execution of the Loan Documents or September 6, 2009) and “Expenditure End Date” (48 months after the execution of the Loan Documents or September 6, 2011) specified in the Capital Fund Financing Amendment to the Consolidated Annual Contributions Contract (ACC).

SECTION VII: OWNED AND MANAGED UNITS

KCHA's reputation as a HUD "High Performer" would not be possible absent a concentrated focus on the effective day-to-day management of our Public Housing developments. The quality of our operation is evident with strong curb appeal, extremely low vacancy rates and high rent collection performance seen throughout our portfolio. During FY 2008, overall occupancy of KCHA's Public Housing developments averaged 98.6% and our property management teams – managers and maintenance staff as well – combined forces to achieve an outstanding average of 92.5 percent from HUD REAC inspectors on the most recently completed round of property inspections.

Our drive for excellence was a prime factor in KCHA's 2004 decision to begin to incorporate the best practices of private property management into the thread of our daily operations. Thus, well in advance of HUD requirements, KCHA had strategically positioned itself to conform to proven property-based management principles characteristic of the private sector. This early action to shift our business model from the standard HUD format to one that encourages managers to take ownership of their sites on a daily basis left KCHA uniquely situated to respond to the challenges of revised Public Housing Operating Fund regulations. We've used MTW authority to build upon this framework to develop a locally driven Asset Management model that provides property managers with the tools to effectively manage their programs. As a result, during FY 2008, KCHA successfully applied for and was awarded "Stop Loss" protection in its initial year of eligibility – ensuring that any reduction of subsidy under the new funding formula was locked in at the lowest level possible.

However, the truest indicator of our effectiveness lies in how we are viewed by residents and the surrounding community and in our ability to respond to the critical housing needs of the County's most vulnerable households – elderly and disabled individuals and families with children - who look to us to bridge the gap between the supply and demand for affordable housing in King County. With this in mind, KCHA has applied MTW program flexibility to its Public Housing operations in a number of key areas – most notably KCHA has:

❑ **Leveraged outside capital investment into our Public Housing inventory.**

Redevelopment projects such as those underway at Greenbridge (formerly Park Lake Homes) and Birch Creek (formerly Springwood) - as well as the recently completed Egis project - have brought more than \$126.3 million in tax credit equity and bond proceeds into the rehabilitation of our aging housing stock.

❑ **Implemented administrative efficiencies that reduce KCHA expenses.**

Through streamlining analysis KCHA has reduced repetitive tasks and eliminated "non-value-added" activities from our

daily work to ensure the cost effective use of limited financial resources. Our MTW-

To date, nearly 28 percent of our Public Housing inventory has been rehabilitated or rebuilt using tax credits and continues to be managed by KCHA's in-house management and maintenance operation.

modified asset management funding model streamlines HUD accounting processes – reducing inter-property fund transfers and providing property managers with a predictable revenue stream. In addition we’ve simplified the income verification process - revising definitions of income and assets; extended the acceptable age for documentation on file; and developed a transfer policy that speeds resident moves to suitable units and improves utilization of program resources.

*More than 1,500 of KCHA’s Public Housing households qualified for the new **Easy Rent** program. As the program rolls out, most are noticing a slight decrease in their rent – all will benefit from streamlined reporting and less frequent income reviews.*

❑ **Developed and implemented a new Easy Rent program.** Streamlined the rent process for our elderly and disabled households living on a fixed income - simplifying the process to make it easier to understand and significantly reducing staff resources dedicated to annual reviews.

❑ **Developed our own “in-house” Resident Survey instrument.** In late FY 2008, KCHA distributed a new Resident Survey to replace HUD’s Real Estate Assessment Center’s national

questionnaire. The survey expands upon HUD’s framework in order to better measure how well we serve our residents.. Initial information gathered will serve as a baseline measurement of performance – results will be used to shape the development of more customer-friendly policies.

- ❑ **Established our own ESCo and installed over \$4 million in energy reduction improvements in our Public Housing inventory.** Efficient operations are also about limiting our environmental footprint and reducing consumption. Energy saving measures installed in KCHA’s Public Housing developments are anticipated to pay for themselves in less than 12 years and installation of more efficient fixtures and individual metering of water consumption has already reduced water usage across our portfolio by 30 percent.

In addition to the activities outlined above, KCHA will continue to manage its Public Housing developments with a high level of efficiency and quality of service as measured by the following indicators:

A. VACANCY RATES

For FY 2008, KCHA’s overall occupancy rate was 98.6%. Effective waiting list management, together with sound unit turn and lease-up protocols enhance KCHA’s ability to maintain occupancy above the 98 percent benchmark established upon entry into the MTW program. Consistent with timing established in KCHA’s MTW agreement, the Vacancy Rate is calculated as of October 2008 and excludes units undergoing modernization or redevelopment (Park Lake Homes, Springwood). Table 7-A-1, shown on the following page, lists actual vacancy rates for all Public Housing developments in KCHA’s inventory.

Table 7-A-1: Occupancy Rates of KCHA's Public Housing Inventory – FY 2008

Development Name	# Units	# Occupied	% Occupied
AVONDALE MANOR	20	20	100.0%
BALLINGER HOMES	110	110	100.0%
BELLEVUE 8	8	8	100.0%
BOULEVARD MANOR	70	70	100.0%
BRIARWOOD	70	70	100.0%
BRITTANY PARK	43	42	97.7%
BURNDALE HOMES	50	50	100.0%
CAMPUS COURT I	12	12	100.0%
CAMPUS COURT II	1	1	100.0%
CASA JUANITA	80	78	98.8%
CASA MADRONA	70	65	92.9%
CASCADE APTS	108	107	99.1%
CEDARWOOD	25	25	100.0%
COLLEGE PLACE	51	51	100.0%
EASTRIDGE HOUSE	40	40	100.0%
EASTSIDE TERRACE	50	50	100.0%
EVERGREEN COURT	30	30	100.0%
FEDERAL WAY HOUSES	3	3	100.0%
FIRWOOD CIRCLE	50	50	100.0%
FOREST GLEN	40	40	100.0%
FOREST GROVE	25	25	100.0%
GLENVIEW HEIGHTS	10	9	90.0%
GREEN LEAF	27	27	100.0%
GREEN RIVER HOMES	60	58	96.7%
GUSTAVES MANOR	35	35	100.0%
JUANITA COURT	30	29	96.7%
JUANITA TRACE	30	29	96.7%
JUANITA TRACE II	9	9	100.0%
KING'S COURT	30	29	96.7%
KIRKWOOD TERRACE	28	27	96.4%
MARDI GRAS	61	58	95.1%
MUNRO MANOR	60	60	100.0%
NIA APARTMENTS*	40	40	
NORTHRIDGE I	70	69	97.1%
NORTHRIDGE II	70	69	97.1%
PARAMOUNT HOUSE	70	69	97.1%
PARK LAKE HOMES SITE II	165	161	97.6%
PICKERING COURT	30	30	100.0%
PLAZA SEVENTEEN	70	68	97.2%
RIVERTON TERRACE	30	30	100.0%
RIVERTON TERRACE - EGIS	30	30	100.0%
SEOLA CROSSING	77	77	100.0%
SHOREHAM APTS	18	17	94.4%
SOUTHRIDGE HOUSE	80	80	100.0%

Development Name	# Units	# Occupied	% Occupied
SPRINGWOOD **	342	153	44.7%
THE LAKE HOUSE	70	70	100.0%
VALLI KEE	114	110	96.5%
VICTORIAN WOODS	15	14	93.3%
VISTA HEIGHTS	30	30	100.0%
WAYLAND ARMS	67	67	100.0%
WELLSWOOD	30	30	100.0%
YARDLEY ARMS	67	67	100.0%
YOUNG'S LAKE	28	27	100.0%
Total Units – Excluding those under development in FY 2008	2467	2432	98.6%
Total Units – Including units added (Nia) FY 2008	2507	2472	98.6%

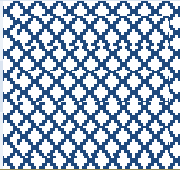
*Construction completed during FY – housed late 2008

** Currently under construction, scheduled for completion FY 2009

B. RENT COLLECTIONS

During FY 2008, KCHA exceeded projections by collecting 99.58 percent of rents. The Authority's centralized rent collection system is an efficient and cost-effective tool in managing receipt of tenant payments and will continue to be utilized in lieu of collecting rents directly on site. In addition, rent collections are tracked at the Central Office level to ensure all properties continue to meet established collection standards. KCHA's focus on program oversight allows problems to be easily identified and addressed promptly. Below, Table 7-B-1 compares *planned* collections, estimated at the beginning of FY 2008, to *actual* achievements over the course of the fiscal year.

Table 7-B-1

Rent Collections – FY 2008				
Region	Dwell Rent Charged	Dwell Rent Uncollected	FY 2008 Collection Target	FY 2008 Collection Actual
Northeast	\$2,496,264	\$ 6,006		99.76%
Southwest	2,270,772	\$ 9,566		99.43%
Southeast	2,906,434	\$16,575		99.58%
Totals:	\$7,673,470	\$ 32,147	+ 98%	99.58%

C. WORK ORDERS

During FY 2008, the Housing Authority fell just shy of targeted response rates for both Emergency Maintenance Work Orders and Routine Work Orders. As shown in Table 7-C-1 below, 99.69 percent of Emergency Work Orders reported to KCHA during the fiscal year were completed within 24 hours, slightly below the target of 100 percent established in the FY 2008 MTW Plan. Similarly, as illustrated in Table 7-C-2, KCHA completed 95.9 percent of Routine Work Orders within 30 days, just below the 97 percent benchmark targeted in the FY 2008 MTW Plan. Although actual performance is only slightly below established targets, KCHA is concerned that initial data analysis indicates a number of errors in processing of completed work that have resulted in skewing completion rates downward. For example, work orders miscoded as “emergency” rather than “routine” would result in the higher number of emergency work orders (and somewhat off-setting decrease in routine work orders) seen in FY 2008 when compared to prior year results. In turn, emergency and routine response rates could shift downward. Unfortunately, this trend was discovered toward the end of FY 2008, without sufficient time to affect a correction in calculation of response time above established targets. KCHA continues to investigate the cause of this anomaly and coordinate increased property management and maintenance staff training to ensure proper procedures in data tracking are maintained as we move forward.

Table 7-C-1

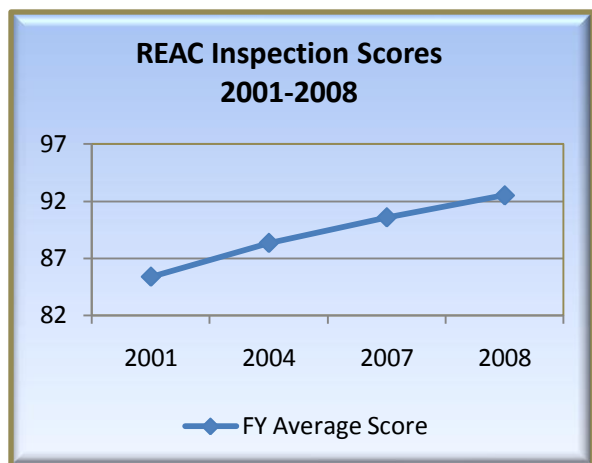
Emergency Work Order Completion Rates - FY 2008				
Total Completed within 24 hrs				
Region	Total Orders Entered	# Completed under 24 hrs	FY 2008 Target	FY 2008 Actual
Northeast	1,233	1,225	100%	99.4%
Southwest	446	446	100%	100.0%
Southeast	556	554	100%	99.6%
Totals:	2,235	2,225	100%	99.6%

Table 7-C-2

Routine Work Order Completion Rates - FY 2008				
Total Completed within 30 Days				
Region	Total Orders Entered	# Completed within 30 Days	FY 2008 Target	FY 2008 Actual
Northeast	6,761	6,106	97%	90.3%
Southwest	5,307	5,020	97%	94.6%
Southeast	6,697	6,633	97%	99.0%
Totals:	18,765	17,759	97%	94.6%
Average # of days to complete Routine Work Orders				6.0

D. HQS INSPECTIONS

Although identified as a potential area for change, during FY 2008 KCHA delayed any changes to existing Public Housing inspection protocols. As a result, KCHA's Housing Management staff inspected 100 percent of its Public Housing units during FY 2008 using HQS guidelines established by HUD. In addition, though KCHA's "High Performer" status provided exemption



KCHA's high standard in the quality of its housing stock has resulted in high ratings from HUD REAC inspectors. In 2008, KCHA's average rating reached 92.5 percent.

from HUD inspections in the prior year, the Authority was subject to REAC inspections during FY 2008. The full round of REAC inspections for the fiscal year was completed in December 2008. KCHA is pleased to note that its average score under the REAC process was an outstanding 92.5 percent, up from the 90.6 percent achieved in the prior round of inspections completed by HUD contractors.

E. SECURITY

The Authority's strategies for ensuring resident safety and security include thorough screening of applicants and proactive and consistent lease enforcement by Housing Management staff. The Authority enforces strict one-strike screening policies for each of its Public Housing developments, and screens applicant criminal histories with the Washington State Patrol and the FBI's NCIC (National Criminal Information Clearinghouse) databank. During FY 2008, KCHA continued to utilize a collaborative approach to ensuring safety and security in its Public Housing developments, maintaining cooperation agreements with each of the 14 police departments in the 19 cities it serves. KCHA's property managers work closely with local law enforcement to ensure our developments remain peaceful communities in which to live. These strong partnerships with local police departments enable us to exchange information regarding criminal activity in and around our Public Housing developments on an ongoing basis, providing both the Authority and the police with a valuable tool in curtailing criminal activity. Collected

Table 7-E-1

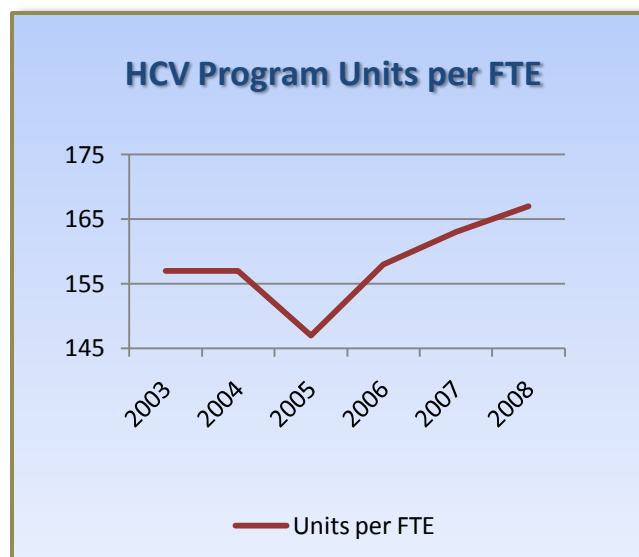
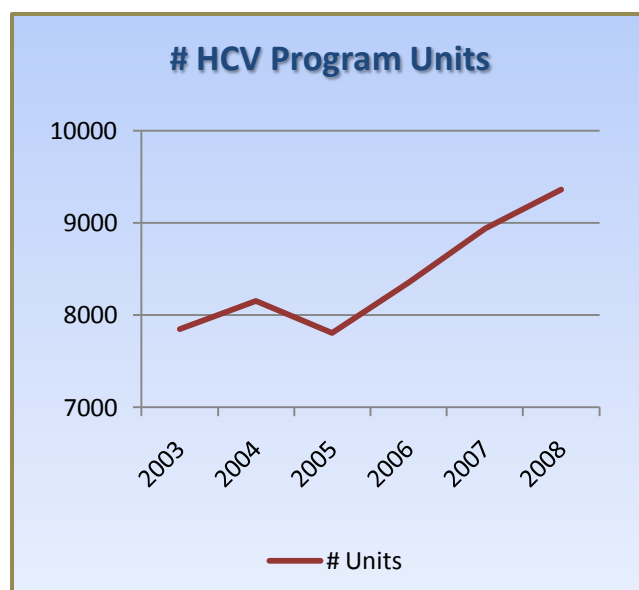
SAFETY & SECURITY REPORT				
	POLICE CONTACTS		PART 1 CRIMES	PART 2 CRIMES
Region	GIVEN	RECEIVED	#	#
Northeast	70	60	14	26
Southeast	40	69	7	55
Southwest	39	168	43	41
Grand Total:	149	297	64	122

and reviewed initially at the property level, accumulated data is also reviewed on a monthly basis by key Central Office personnel. In addition, KCHA's partnerships with local stakeholders to prevent drug-related and other criminal activities include the funding of community police officers in some developments and extensive after-school and summer programs for teens and children. Table 7-E-1 shows reported criminal activity in each of KCHA's three (3) regional management areas.

SECTION VIII: LEASED HOUSING

Sustaining a Section 8 Housing Voucher program that assists more than 9,000 households over nearly two thousand square miles – an area roughly the size of the state of Delaware – is no easy task. It was made even more difficult in 2008 by rapidly increasing rental costs. Our MTW toolbox allows us to carefully analyze the market and shift approaches in order to respond to market demands quickly and efficiently. This flexibility has been crucial to our success in stretching limited HCV resources in order to expand programs and increase the number of Section 8 program participants served. Close monitoring of shopping success and HQS fail rates, participant shelter burdens, program terminations and geographic distribution, ensures that we operate at peak performance. At the same time, the ability to streamline procedures and reduce red tape provides KCHA the opportunity to develop new and innovative programs to expand housing opportunities and address the multifaceted needs of the County's lowest income populations. During FY 2008, KCHA utilized MTW authority to advance the operating goals of the Section 8 program through the following initiatives:

- ❑ **Apply lean engineering techniques to program administration.** Early in the MTW demonstration, KCHA recognized the potential for savings in streamlining the HCV program's overly burdensome administrative requirements. As outlined in this and prior reports, utilizing lean engineering techniques common to the private sector, we have revised Housing Quality inspection and Rent Reasonableness protocols, modified tenant preferences and eligibility criteria and implemented revised definitions and documentation procedures relating to annual income and assets. Through modified procedures we have stripped away non "value-added" activities – allowing us to effectively absorb increases in program size without increasing program staff.



MTW streamlining initiatives helped KCHA absorb additional vouchers into its HCV program. Time saved by eliminating non-value-added activities allows staff to take on a bigger work load and address urgent needs more efficiently.

- ❑ **Establish appropriate subsidy levels for HCV participants.** Revised payment standards, calculated independent of HUD's published Fair Market Rent (FMR), provide KCHA with the flexibility to set subsidy levels at appropriate ceilings and the freedom to quickly respond to changing market conditions. Decoupling the payment standard from the FMR helps ensure Section 8 program participants are not priced out of the market as rents escalate. In addition, KCHA's MTW modified policy eliminates HUD approval of exception rents when requested as a Reasonable Accommodation for Section 8 HCV participants with a disability - speeding access to affordable housing for those in need.

*Nearly 4,000 HCV program participants qualified for relief under KCHA's new **Easy Rent** program. Significant savings in program administration costs are anticipated. Though in the early stages of roll out, the rent simplification initiative has already enabled reallocation of one FTE position to more pressing duties.*

- ❑ **Develop and implement KCHA's Easy Rent program.** Mirroring Public Housing program changes, Easy Rent implementation for HCV participants began in June 2008. The program streamlines rent calculation procedures for our elderly and disabled HCV participants living on fixed incomes. As detailed in Section II of this MTW Report, revised rent policies are easier for clients to understand and staff to administer.

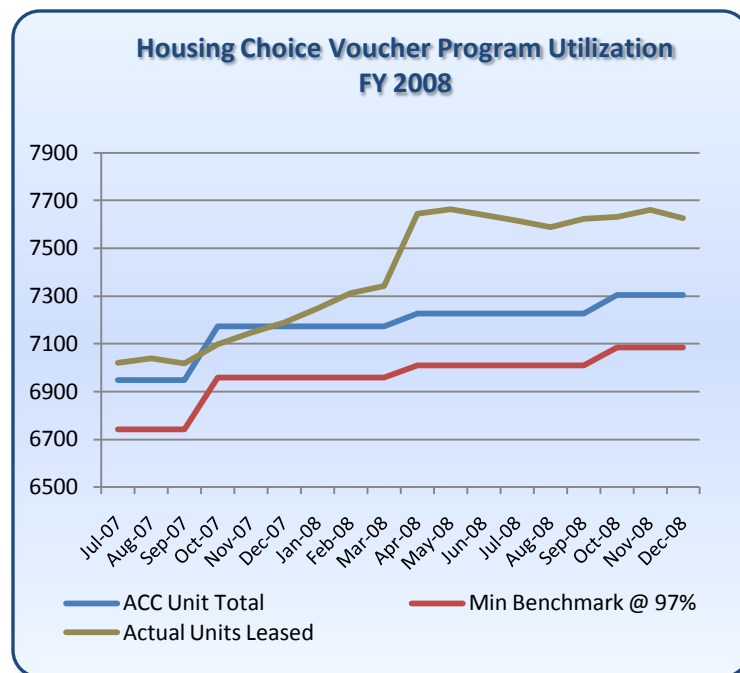
- ❑ **Establish a Project-Based Section 8 Program that responds to local need.** As an active partner in King County's 10-Year Plan to

End Homelessness, KCHA seeks every opportunity to expand housing access for "hard-to-house" populations. Utilizing MTW program flexibility, KCHA has modified Project-Based program requirements to coordinate with supportive services and address regional housing priorities. Through modified contract and operating requirements, we have targeted voucher assistance to transitional and permanent supportive housing that houses disabled and chronically homeless individuals and assists families on the road to self-sufficiency. In addition, revised policies are playing a key role in KCHA's efforts to ensure the one-for-one replacement of units dropped from our inventory as a result of reconstruction activities at former Public Housing developments such as Park Lake Homes Site I and Springwood.

In tandem with efforts to design and implement new programs and processes, KCHA carefully monitors overall program performance to ensure we continue to operate at the highest possible level. The following are key indicators of KCHA's FY 2008 performance:

A. LEASE-UP RATES

Upon entering the MTW program in 2003 KCHA established a minimum utilization benchmark of 97 percent for its Housing Choice Voucher program. During FY 2008 the Housing Authority's actual lease-up percentage – the percentage of the HUD authorized ACC under lease – averaged 103% for the year. This level of performance was the result of the Housing Authority's efforts, as described in its FY 2008 MTW Annual Plan, to serve additional households. As planned, during 2008, KCHA utilized accumulated MTW reserves to fund expansion of the Section 8 HCV program by an additional 300 vouchers *above* the HUD established baseline.



During FY 2008, KCHA dedicated accumulated MTW reserves to increase the availability of Housing Choice Vouchers to the region's low-income population. Voucher utilization during the fiscal year averaged 103 percent.

B. ENSURING RENT REASONABLENESS

During FY 2008, KCHA's Section 8 Inspectors continued to use a customized database developed by Dupre+Scott Apartment Advisors to ensure that contract rents approved for units subsidized under the Section 8 program remained reasonable in relation to market rents for similar non-subsidized units. The instrument is based on an extensive survey of over 75,000 housing units in KCHA's jurisdiction and is updated annually. It establishes the maximum rent for housing units based on location, size, quality, type, amenities, utilities and general condition.

During FY 2008, utilizing MTW program changes implemented in prior years, KCHA inspectors also conducted rent reasonableness determinations for units owned by KCHA, thus eliminating potential delays in new lease-ups and streamlining the completion of annual reviews. In addition, KCHA continues to forego rent reasonableness determinations at annual re-certification, unless a request for an increase in the contract rent is received or when warranted by a documented shift in the local rental market. These and other efforts continue to streamline the program while ensuring that contract rents approved by the Authority do not exceed market value.

C. EXPANDING HOUSING OPPORTUNITIES AND POVERTY DECONCENTRATION

KCHA continues to take aggressive action to expand housing opportunities and reduce the concentration of poverty across the region. Our approach is anchored on four main strategies:

❑ **Utilization of Tenant-based Housing Choice Vouchers to expand housing choices for special needs populations.**

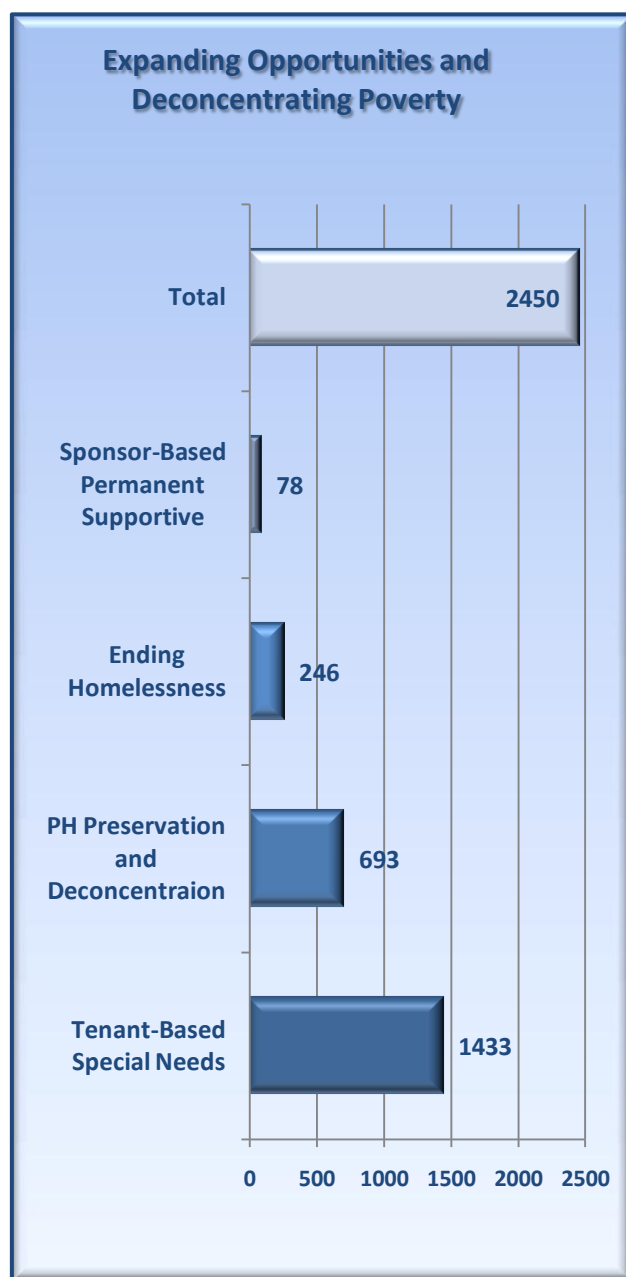
In FY 2008, KCHA continued its partnership with King County and the region's major behavioral healthcare and human service systems to provide access to affordable housing in conjunction with support services for people with disabilities. The Housing Access and Services Program (HASP) provides search assistance, linkages to case management, landlord liaison and crisis intervention to assist participants in achieving and sustaining housing stability. Participating public systems collectively fund a coordinating service provider to work with program participants, HCV staff, service providers and private landlords to make the program a success. At the end of FY 2008, the HASP program was serving 1,433 households, up nearly 10% from the previous year.

During FY 2008, 141 new households became voucher holders under the HASP program. This increase was the result of efforts to improve "shopping success" rates among this hard-to-house population. Success rates of "shoppers" under the HASP program rose to 73% in FY 2008 – up from 63% in 2007.

In addition, KCHA's tenant-based program includes vouchers targeted to assist special needs households such as homeless veterans assisted through the VA's Supportive Housing (VASH) program, homeless families reuniting with children under the Family Unification program (FUP), victims of domestic violence and terminally ill individuals.

- ❑ **Deconcentration of Poverty through the use of Project-Based Housing Choice Voucher assistance.** The ability to apply MTW program flexibility in the design of the Project-Based program has been an integral component of KCHA's effort to preserve its aging Public Housing inventory. With public housing funding falling far below needed capital improvement levels, KCHA has increasingly turned to creative bundling of government and private resources to rebuild its aging housing stock. Project-Based assistance ensures that renovated housing remains affordable over the long-term and modification of project-based operating rules allows KCHA to blend programs – ensuring residents a smooth transition as they return to the development. At the same time, where large Public Housing developments once dominated communities, we are developing mixed-income communities and deconcentrating poverty by replacing "hard units" removed from the Public Housing inventory with targeted project-based vouchers located in higher income neighborhoods with good schools and greater opportunity for employment.

- ❑ **Reducing Homelessness through the use of Project-Based subsidy to provide a continuity of housing services as families work to increase self-sufficiency.** Partnering with the Bill and Melinda Gates Foundation, KCHA has created a network of service-enriched housing to increase the supply of transitional housing in the region. KCHA's Project-Based subsidy lends financial assistance to the developments – matching housing subsidies with intensive support services and helping families and individuals acquire tools necessary to build self-sufficiency.
- ❑ **Expand housing opportunities and deconcentrate poverty under a local leased housing program.** Chronically homeless mentally-ill individuals and households transitioning out of long-term care inpatient facilities face an uphill battle in securing housing on the private market. Poor credit history, past problems with landlords and criminal records are “red flags” for landlords and barriers to housing access. To successfully integrate into the community, these individuals require intensive supportive services in a flexible housing model – resources that are nearly non-existent across the nation. To assist this “hard-to-house” population, KCHA has partnered with the United Way and King County's behavioral health system to create the Sponsor-Based housing program. Launched as a 25 unit pilot program in 2007, the program was expanded in FY 2008 to assist up to 155 individuals. Funded through the use of accumulated MTW reserves, the program provides a stable housing environment with wraparound services to address, reduce, and eliminate barriers that have kept participants on the street. Rather than attaching subsidy to the resident, KCHA provides the funding to contracted support service providers who negotiate master-leases directly with landlords and secure affordable housing for their clients. Following the Housing First model, the program has been instrumental in removing roadblocks to affordable housing for chronically homeless individuals who typically cycle between jail, hospitals, mental institutions and life on the street.



D. INSPECTION STRATEGY

In FY 2008 KCHA continued to streamline and modify HQS inspection protocols in order to increase overall effectiveness and operating efficiency. Under the auspices of the MTW demonstration, KCHA has adopted a number of changes to HUD protocols in order to ease the burden on participants and landlords while streamlining program administration. Highlights of KCHA's MTW-enhanced inspection strategy include:

- ❖ Allowing owners and participants to self-certify corrections of minor fail items identified during initial and annual HQS inspections;
- ❖ Implementing a new “clustering model” for efficient completion of annual inspections. The model decouples the annual inspection from the client’s annual review - allowing staff to group inspections geographically in order to reduce travel time and expense. To accommodate the change, we consider an “annual inspection” to include any inspection completed within 120 days of the 12-month deadline imposed by regulation and allow the first annual inspection for each unit to be completed between 8-20 months of the original lease date.
- ❖ Implementation of an automated call system to remind participants of their scheduled inspections in order to reduce the number of inspections that must be rescheduled.
- ❖ Allowing trained staff at transitional housing facilities funded with KCHA Project-Based Assistance to complete initial HQS unit inspections for their site. Because these units turn over faster than most and homeless families are waiting to move into them, KCHA developed a training program for project owners who conduct initial inspections and certify HQS compliance upon unit turnover. KCHA’s inspectors continue to inspect each of these units on an annual basis.

HQS INSPECTIONS - 2008		
Inspection Type	Planned Inspections	Completed Inspections
Pre-Contract	7,059	7,059
Annual HQS	13,198	13,198
Quality Control	238	277
Total	20,495	20,534

Conscious of our commitment to provide safe, decent and sanitary housing for all, KCHA carefully tracks and monitors the result of revised inspection policies to ensure that streamlining efforts do not have an adverse effect on the quality of unit in which our participants reside. Table 8, shown on the following page, illustrates the FY 2008 savings that has resulted through implementation of revised HQS inspection protocols.

Table 8 – KCHA Inspection Savings – FY 2008

Month	Total Inspections	Total Fails	Fail Minor	% Reduction in Re-Inspection	Hours Saved (@15 min/ea)
Jul-07	820	384	124	32.3%	31
Aug-07	858	424	155	36.6%	39
Sep-07	863	345	171	49.6%	43
Oct-07	862	373	171	45.8%	43
Nov-07	882	375	187	49.9%	47
Dec-07	675	328	193	58.8%	48
Jan-08	1082	508	299	58.9%	75
Feb-08	1020	509	322	63.3%	81
Mar-08	989	460	282	61.3%	71
Apr-08	974	503	289	57.5%	72
May-08	766	356	206	57.9%	52
Jun-08	909	376	238	63.3%	60
Jul-08	1020	459	268	58.4%	67
Aug-08	911	451	257	57.0%	64
Sep-08	911	468	281	60.0%	70
Oct-08	862	459	276	60.1%	69
Nov-08	704	366	189	51.6%	47
Dec-08	771	333	181	54.4%	45
	15,879	7,477	4,089	54.7%	1,022

SECTION IX RESIDENT PROGRAMS

KCHA strongly supports HUD's MTW program objective to assist families in obtaining employment and becoming economically self-sufficient. We understand that moving families forward along the path to self-sufficiency is one way to effectively respond to the housing crisis that permeates our local communities. As families successfully transition out of Public Housing or Section 8 into market rate apartments or homes of their own, we free up critical resources - opening new opportunities for households languishing on lengthy waiting lists that result from limited supply.

Since FY 2007, KCHA has focused efforts on the development of a comprehensive Resident Opportunity Plan (ROP) – an ambitious program centered on two key objectives: improving the economic independence of Public Housing and Section 8 participants and increasing positive graduation rates from federally assisted housing. During FY 2008, in collaboration with its service provider partners, KCHA completed a comprehensive analysis of resident needs and existing programs. Results of the assessment assisted in the development of KCHA's two pilot projects which will launch in 2009. Targeted to assist up to 75 residents of King County's eastside communities such as Bellevue, Kirkland and Woodinville and 25 residents of Park Lake Homes II, the pilots seek to advance household self-reliance through a combination of strategies including:

- ❑ Internal and external work incentives that support resident employment and income progression.
- ❑ Resident outreach and community-building practices that promote active engagement in and feedback on resident service programs.
- ❑ Skill-development initiatives that focus on ESL, pre-vocation, apprenticeship, vocation, and general education with community colleges, unions, and other key stakeholders.
- ❑ Close coordination with employers and the Workforce Development Council to increase access to quality jobs.
- ❑ Small-business development and micro-lending opportunities that support home-based businesses such as licensed family childcare or landscaping.
- ❑ Pilot projects that combine unique incentives, opportunities, and approaches for specific populations including, for example, households receiving temporary assistance for needy families (TANF).
- ❑ Asset-building programs that combine skill development such as credit repair and budgeting tools with programs such as individual development accounts, to help families build and maintain equity over time.
- ❑ Exit strategies, including shallow subsidies, "right of return", and coordination with KCHA-controlled workforce housing, which enables residents to graduate from subsidized housing into market-rate apartments.

KCHA recognizes that many households, particularly within the context of the region's growing disconnect between wages and housing costs, may not be able to achieve complete independence from government assistance. However, by focusing on increasing economic independence and

graduation rates, we can improve resident success rates and serve more low-income households in desperate need of our assistance. The financial flexibility of the MTW program helps us reach our goals by allowing us to fund programs and services for our residents to address the specific needs of household members at all ages and abilities. Still, we know that MTW resources are not enough. So we actively search for new partnerships and seek new funding opportunities to support the wide array of supportive services and economic development activities delivered to our residents. In FY 2008, KCHA operated supportive service and resident self-sufficiency programs that addressed the needs of youth, adults, seniors and residents with disabilities. Culturally competent housing authority staff and community-based social service partner agencies provided these services. The following section provides an annual progress report, including results, of programs and initiatives identified in the MTW FY 2008 Annual Plan.

A. SERVICES AND PROGRAMS

1. Children's Programs

White Center Early Learning Initiative: In FY 2007, the Bill and Melinda Gates Foundation awarded a multi-year grant to the White Center Early Learning Initiative (WCELI), a partnership of community members and public and private organizations including KCHA. This grant will create a sustainable, integrated and accessible child development and family support network in White Center. Anchored at the new Early Learning Center being built at Greenbridge, this initiative will support the developmental needs of all children, aged birth to five, in the White Center community, regardless of income. Key components of the WCELI initiative include:

- ❑ Expansion of home-based support services such as home visiting programs for newborns and their families, promotion of early literacy and strong attachments at home, and family support programs.
- ❑ Expansion of parent and community education including creating more awareness of children's development, positive parenting, and the importance of quality early learning.
- ❑ Development of a model Educare/HeadStart center (Greenbridge Early Learning Center) for the whole community, equipped with highly trained and well compensated teachers, proven effective curriculum, family support programs and technical assistance and learning opportunities for existing neighborhood child care centers. KCHA provided the land for this 32,000 square foot facility adjacent to Greenbridge's new elementary school, oversees the design process and partially funded construction through the issuance of New Market Tax Credits. Construction started on this facility in October 2008.

As this initiative is implemented over the next several years, Public Housing families and participants in KCHA's Section 8 program will benefit from the focus on school readiness and early learning services.

Head Start programming. In partnership with Puget Sound Educational Services District (PSESD), 325 low income four and five-year olds living throughout King County participate

annually in Head Start school readiness programs. KCHA leverages these services by providing land and building facilities for PSED in its largest public housing communities.

Family Childcare. KCHA began significantly expanding its licensed family childcare program this year. This in-home childcare option provides convenient, affordable, culturally appropriate care for families where the adults are working. These small businesses also provide a steady income for program operators, many of whom can afford to move out of public housing after a few years. KCHA has conducted a survey to identify units that can meet licensing requirements and is working with Child Care Resources to recruit, train and support an expanded network of providers.

2. Youth Programs

KCHA delivers after-school and summer recreation activities, mentoring programs, homework assistance and computer center activities to youth aged 6-17 by funding Neighborhood House, Center for Human Services, Kent Youth and Family Services and several Boys and Girls Clubs at Public Housing sites. These programs assist youth to:

- ☐ Improve their academic success;
- ☐ Develop socialization skills; *and*
- ☐ Engage positively in their communities.

The following chart provides information on the number of youth who participated in these activities during FY 2008:

YOUTH PROGRAMS: July 2007 through December 2008							
Agency:	Bellevue Boys & Girls Club	KC Boys & Girls Club – Auburn	KC Boys & Girls Club – SW	Center for Human Services	Kent Youth & Family Services	Neighborhood House	
Developments Served:	Hidden Village Spiritwood Manor Eastside Terrace	Firwood Circle	Park Lake Homes Greenbridge	Ballinger Homes	Cascade Birch Creek Valli Kee	Park Lake Homes Greenbridge Green River Burndale Homes	TOTALS
Average monthly participants:	212	60	473	105	408	75	1333
Homework/tutoring participants:	133	13	716	44	112	63	1081
Higher education workshop participants:	21	10	N/A	N/A	49	2	82
Computer lab classes participants:	195	7	693	N/A	81	N/A	976
Life skills/socialization activity participants:	N/A	3	258	25	77	1	364
Community building activity participants:	29	6	162	1	19	39	256
Recreation / fitness programs:	337	N/A	N/A	N/A	N/A	N/A	337

3. Senior and Younger Disabled Households

During FY 2008, the Authority continued to provide an array of services to over 1000 households (senior households or younger residents with disabilities) living in 23 mixed population buildings throughout King County. During FY 2008 these included services to:

- ☐ Prevent eviction
- ☐ Prevent premature institutionalization
- ☐ Reduce isolation by increasing access to programs and activities
- ☐ Increase resident health by improving access to visiting nurse services

KCHA's Support Service Coordination teams advocate for residents making linkages into community based services and working with housing management to avoid unnecessary evictions. Efforts in this area are critical for ensuring housing stability for some of the County's most vulnerable residents. In calendar year 2008, there were only two evictions.

4. Self-Sufficiency Services

KCHA continues to support and expand its economic self-sufficiency programs.

Employment and Training Services. In partnership with the **YWCA** and **Center for Career Alternatives**, KCHA provided employment and training services at three existing career development centers. All of the career development centers provide English literacy, adult basic education, short-term trainings, pre-employment skills, job search and post employment retention services to residents living in or near our Public Housing communities throughout King County. In FY 2008 the career development centers:

- ☐ Placed a combined total of 75 individuals in new jobs with an average wage of \$9.68; 24 of the new employees were former TANF recipients.
- ☐ Assisted 56 new employees in retaining employment for six months or longer.

The following chart illustrates detailed information about the various activities and outcomes from FY 2007 through FY 2008:

Employment & Training Results FY 2007-08											
Outputs				Outcomes						Funding/Costs	
	Avg. Monthly Participants	ESL Enrolled	Employment Readiness Services	Job Placement		6-Month Retention		TANF Employed	Avg. Hourly Wage	Annual Funding	Avg. Cost of Job Placement
				Goal	Actual	Goal	Actual				
FY 2008	299	63	92	156	75	76	56	24	\$9.68	\$292,677	\$1,876
FY 2007	274	62	419	232	158	151	105	28	\$9.95	\$272,595	\$1,725

In addition, KCHA continues its partnership with the Community Based Agency, Hopelink, to expand employment and training services to more than 300 adult residents living in eight Public Housing communities in North and East King County. Hopelink is in the second year of a 3-year ROSS Family and Homeownership contract to provide resident employment services through case management, service coordination, financial literacy education, and referral.

The following chart identifies the employment and training programs available to KCHA residents throughout the county:

Employment and Training Program	Region of County	Housing Developments Served
Greenbridge Career Development Center	Southwest	Greenbridge, Park Lake Homes
Birch Creek Career Development Center	Southeast	Birch Creek, Valli Kee, Cascade
Green River Career Development Center	South	Green River, Firwood Circle, Burndale Homes
Hopelink Outreach	North/Eastside	Green Leaf, Avondale Manor, Forest Grove, Kirkwood Terrace, Juanita Court, Juanita Trace, Cedarwood, Wellswood

Section 3 Employment. During FY 2008, KCHA targeted construction-related employment opportunities at its HOPE VI Greenbridge project, resulting in 11 new Section 3 hires and \$238,989 awarded to Section 3 businesses.

Section 3 Program Results (HOPE VI Greenbridge project)					
Section 3 Hiring Goal	Total Number Hired	New Hires FY08	Job Retention of those currently employed	Job Type	Demographics
65	87	11	74% have been employed 9 months or more	Office - 50% Laborer - 46% Other - 4%	<u>Gender</u> Female - 28% Male - 72% <u>Ethnicity</u> People of Color – 81%

Section 8 Family Self-Sufficiency Program. The Family Self-Sufficiency program serves an average of 164 participants at any given point in time. Over the past two years, the program has helped 25 people transition to unsubsidized housing, eight of whom did so by purchasing homes. The average escrow award remains at over \$7,000 per graduate.

Section 8 Family Self Sufficiency Program FY2007/2008 Outcomes					
Fiscal Year	Number of Graduates	Transitioned to unsubsidized housing	Purchased Homes	Total Escrow Disbursement	Average escrow per client
2008	24	10	1	\$211,830	\$8,826
2007	24	15	7	\$156,488	\$7,452

5.

**Additional
Resident Support Activities**

Reasonable Accommodations Report		
Fiscal Year	Total number of Reasonable Accommodations	Increase from FY 2007
2008	1,189	12%
2007	1,066	

Reasonable Accommodations. In FY 2008, the Authority continued to provide a Section 504 Reasonable Accommodation program, which coordinates responses to resident and applicant requests for reasonable accommodation in the Public Housing and the Section 8 programs.

AmeriCorps Program. In FY 2008, KCHA deployed 14 AmeriCorps members to 15 sites under the guidance of 12 partner agencies. This year's team is focused on youth activities, development of community gardens, community building activities and civic engagement.

Hope VI Family Services - Greenbridge Re-occupancy. The HOPE VI Family Services staff continued to provide housing stability assistance, referrals to social services, and updates on the HOPE VI redevelopment and re-occupancy process. Located on-site at Greenbridge, the staff notified families as their turn came to reoccupy the site, and helped them decide whether to return to Greenbridge or to remain at their current unit. 22 families returned to Greenbridge this past year, bringing the total of families who have come back to the site to 185. 13 families decided not to return to Greenbridge this year for various reasons, the most common being that residents are happy living where they are and do not want to move again. There are 98 households still waiting to return to Greenbridge. The re-occupancy process is anticipated to end with all families who wanted to live at Greenbridge returned by the end of 2010. Current estimates project that approximately 50 percent of former Park Lake Homes residents will return to the site.

6. Creating Better Facilities to Support Service Delivery

Over the past several years, KCHA and its community partners have built, expanded or upgraded numerous facilities to enhance program delivery and access to services for Public Housing and Section 8 residents throughout the county. When complete, this initiative will provide more than 93,000 square feet of new or substantially improved program space for a multitude of social service programs. KCHA has also constructed food banks in Auburn and White Center. Since its completion the White Center Food Bank, constructed to replace a facility that shifted off the Park Lake Homes HOPE VI site, has more than doubled the number of households it serves.

Facility Report: Fiscal Year 2008					
Facility	Location	Square Footage	Agency Co-location	Services provided	Progress Report
Kent Family Center	Springwood	20,000 sq ft	Puget Sound Educational Services District, Public Health Department, Center For Career Alternatives, Renton Vocational Institute	Head Start Programs Women, Infant and Children (WIC) health services Employment and Training ESL	Completed in 2004 Fully Operational
Springwood Youth Center	Springwood	10,800 sq ft	Kent Youth and Family Services	Recreation Education programs Computer programs Mentorship/Leadership Summer/late night programs	Completed October 2006 Fully Operational Awarded Silver LEEDs status
Jim Wiley Community Center	Greenbridge	23,000 sq ft	SW Boys and Girls Club YWCA (temporary) Highline Community College Neighborhood House	Youth recreation and education activities Employment and training ESL and adult basic education Case management for families and seniors	Completed April 2006 Fully Operational

The YWCA Adult Learning Center	Greenbridge	8,000 sq ft	YWCA King County Library Washington State University	Employment and Training Library services 4-H programming Extended/distance learning programs	Completed November 2008
Greenbridge Early Learning Center	Greenbridge	30,000 sq ft	Puget Sound Educational Services District	Head Start programs Regional training programs Parenting classes Support and training for home child care providers	To be completed 2010
Kings Court Community Center	Kings Court	2,500 sq ft	Federal Way Youth and Family Services	Employment and training Youth tutoring Computer training Arts and recreation	CDBG funding awarded; To be completed 2009

B. RESIDENT SURVEY RESULTS

Although exempted from HUD's Public Housing Management Assessment System (PHAS) reporting requirements, KCHA continues participation in PHAS' Resident Assessment (RASS) function in order to receive data regarding resident perception of Housing Authority performance.

Table 9-B-1, shown below, recaps KCHA Resident Survey scores in each RASS sub-section for FY 2008. During FY 2008, KCHA developed its own Resident Survey instrument to establish baseline data and solicit resident feedback on a wide variety of issues. Initial distribution of the survey commenced in late 2008. Results of the survey, which KCHA anticipates will replace HUD's Real Estate Assessment Center (REAC) format, will be used to assist in the development of customer-friendly policies and stakeholder satisfaction and provide a baseline for evaluating the impact of MTW initiatives on resident satisfaction. Results of the first survey will be included in the FY 2009 MTW Annual Report.

Table 9-B-1

Year	Maintenance and Repair	Communication	Safety	Services	Neighborhood Appearance
2008	88.3%	73.5%	76.2%	89.5%	75.8%

Appendices to KCHA's FY2008 MTW Report

Appendices:

Other Information as Required by HUD: